building **Global Value**

Investment Management Corporation

Annual Report 2010–2011

Investment Management Corporation

Annual Report 2010–2011

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bcIMC is one of Canada's largest institutional investors within the **global capital markets.** We represent public sector clients including the pension plans of more than 475,000 people in British Columbia. To meet the needs of our clients, we invest in quality companies and assets around the world.

in a **changing world** ...

Mature economies have dominated the global markets for many years and prospered from economic growth. Now, new economies are gaining prominence, and they are redefining the characteristics of the capital markets.

The theme of bcIMC's 2010–2011 annual report, building **Global Value**, highlights the changing global landscape and the steps we are taking to provide our clients with the opportunity to take advantage of these global changes.

GDP Growth by Region
Average Annual GDP Growth, 2000–2010

- 6% – 10%
- 3% – 6%
- 0% – 3%
- no data

The size of the middle class in China, Russia, Brazil, and India will double to

1.6 billion

people by 2020, driving consumption and economic growth

The World's Top Economies
Ranking by GDP, PPP* in I$

2010	vs	2020
U.S.		CHINA
CHINA		U.S.
JAPAN		INDIA
INDIA		JAPAN
GERMANY		RUSSIA

Emerging Economies' Growing Presence per MSCI All Country World Index

1990	2010	2020*	2030*
2%	13%	19%	31%

Number of Global 500 Companies per country

2005		vs	2010	
U.S.	176		U.S.	139
JAPAN	81		JAPAN	71
FRANCE	39		CHINA	46

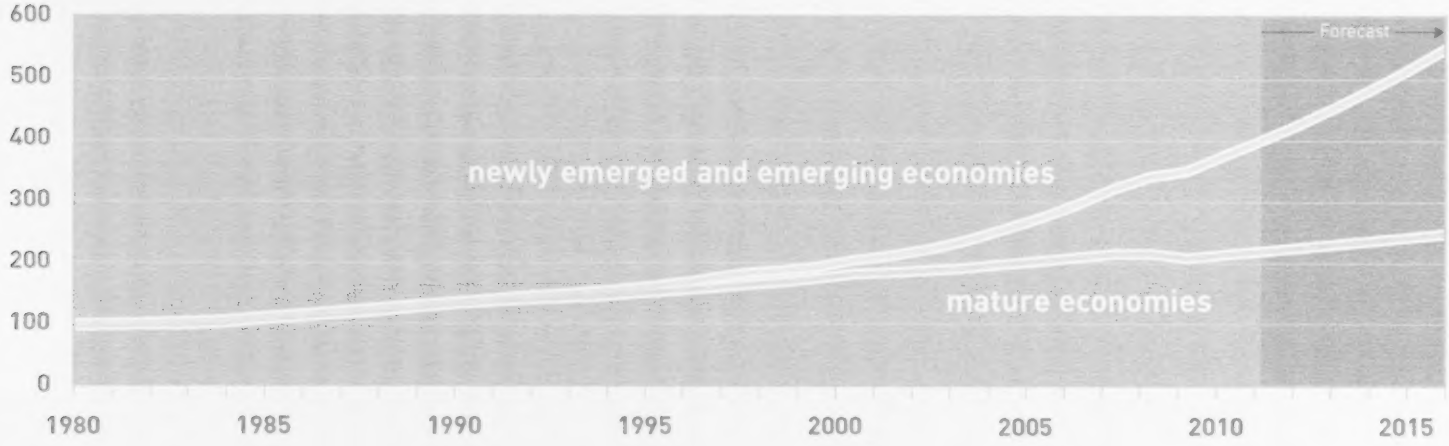
... with evolving **capital markets** ...

Over the last two decades, newly emerged economies have gained economic momentum and become increasingly influential in international production, trade, and finance. Trade is expanding between these countries and capital flows are changing. Urbanization is driving investment needs for infrastructure, housing, factories, and capital goods and services. And, new investors and intermediaries with different investment preferences are joining the capital markets.

Collectively, the new economies are expected to expand by an average of 4.7 per cent per year between 2011 and 2025, compared to the 2.3 per cent growth of the mature economies.[1] Even in the absence of the exceptionally high growth rates of recent years, new economies will be significant contributors to global economic growth. The capital markets are becoming increasingly multipolar, and countries such as Brazil, China, India, and the Republic of Korea will increasingly compete alongside the mature economies of today. As these countries become more influential, transformation to their corporate governance, legal, and financial systems will reduce the lingering concerns that investors have about these potential markets.

[1] World Bank, *Global Development Horizons 2011*, May 2011

Global GDP Growth, 1980–2016



... **bcIMC** is adapting ...

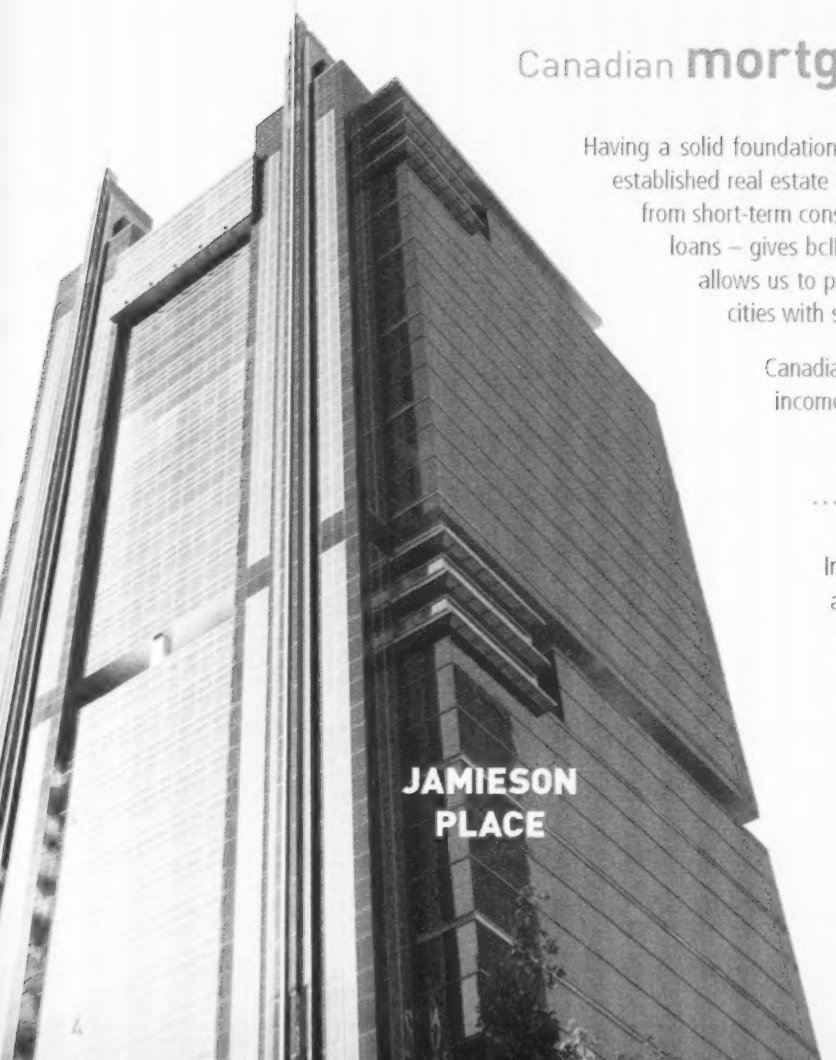
A changing global environment presents new opportunities and risks, and since 2008 bcIMC has broadened our global outlook. We have expanded our product line to be more globally oriented and established a Capital Markets Research Group. Our focus on building **Global Value** within our clients' portfolios is an ongoing strategy.

Many of bcIMC's clients have moved towards a global equity framework. By consolidating their regionally-based equity mix (U.S. and EAFE) into a single global equity allocation, clients can more easily invest in quality companies and industry sectors without the limitations of geographic borders. We continue to modify our equity investment strategies by realigning existing equity pooled funds. And, we are establishing a series of globally-oriented equity funds that will enhance our clients' participation in ever-evolving global equity markets.

Our newly created Capital Markets Research Group (shown right) provides the foundation for the future growth of bcIMC's internally actively managed equity, fixed income, and illiquid asset classes. The group's specialized sector analysts, supported by information technology, provide independent and customized analysis that informs investment strategy and decisions that are aligned with our clients' investment objectives. Our analysts consistently monitor and analyze company-specific activities and trends within sectors that include: banking and financial services, oil and gas, mines and metals, industrials and utilities, consumer products, retail, health care, telecommunications, and technology. Although Canada is the immediate focus, the U.S. and global markets will eventually fall within the group's analytical scope.

bcimc Investment Management Corporation

... so that our **clients benefit from Canadian and global investments:**



Canadian **mortgages**...

Having a solid foundation in Canada allows us to build a global portfolio. As a significant lender to Canada's well-established real estate industry, our ability to provide an array of mortgage products throughout Canada – ranging from short-term construction development loans to longer-term mortgages with fixed interest rates, to mezzanine loans – gives bcIMC a competitive advantage. Our strong and established presence in the Canadian markets allows us to provide financing to reputable domestic and international borrowers for projects in Canadian cities with strong economies.

Canadian mortgages are appropriate for and sought after by clients seeking to diversify their fixed income investments. Short durations within this asset class help mitigate risk from rising interest rates.

... and **real estate**...

Investing in real estate provides our clients with tangible assets that act as a partial hedge against inflation. Our Canadian portfolio holds prime properties – ranging from offices and malls to hotels and manufactured home communities – primarily located in regions with strong and growing economies. Our properties provide steady income while appreciating in value over time.

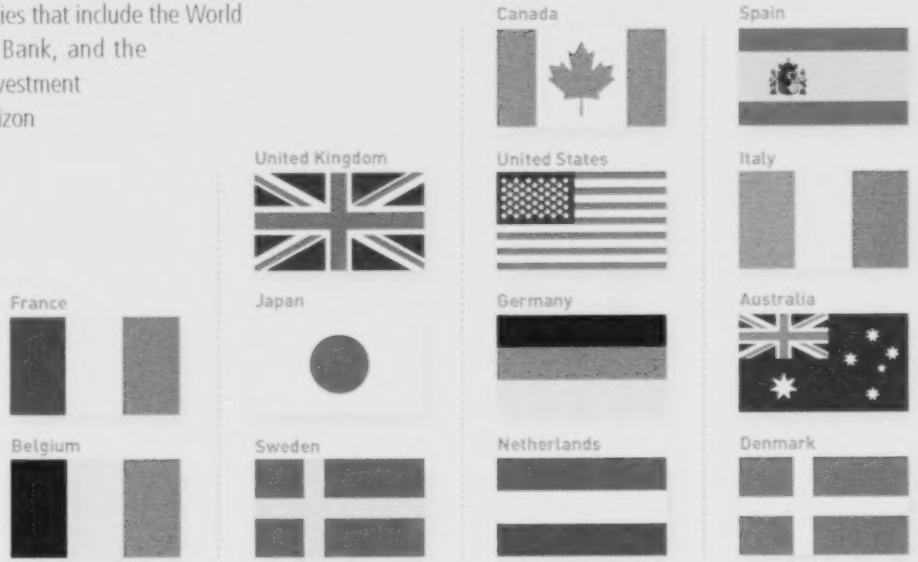
Office buildings account for over 46 per cent of our real estate portfolio, and the tenants within those buildings include companies with a global reach and presence. One example is **Jamieson Place**, a 38-storey office complex in Calgary that is home to two international companies – Statoil, a Norwegian energy company with operations in 30 countries, and TAQA North, an Abu Dhabi oil and gas exploration company operating in Canada and the U.S.

... global **government bonds**
and managing **foreign currency** exposure ...

bcIMC expanded our fixed income product range in 2009 by introducing the Global Government Bond Fund. The portfolio holds fixed income securities from 13 countries in eight different currencies. These securities are issued, insured, or guaranteed by governments or supranational entities that include the World Bank, the Asian Development Bank, the European Investment Bank, and the Inter-American Development Bank. Actively managed by bcIMC's investment professionals, this fund allows clients with a mid-term investment horizon to invest in bonds with the potential to deliver higher risk-adjusted returns than domestic government debt.

A global portfolio exposes our clients to foreign exchange risks. As foreign currency movement will affect investment returns, bcIMC continuously monitors the markets and world events. Through our currency hedging program, bcIMC attempts to reduce the impact of unexpected changes in exchange rates for the euro, the pound, the yen, and the U.S. dollar. Our in-house hedging program may make use of forward contracts, swaps, and futures.

Countries Represented within our Global Government Bond Fund



Top Five Foreign Currency Exposures
(C$ billion) as at March 31, 2011

13.7 U.S. DOLLAR

4.3 EURO

2.3 BRITISH POUND

1.6 JAPANESE YEN

1.1 INDIAN RUPEE

Investment Management Corporation

... global **public equities** ...

Our public equity pooled funds provide clients with investments allocated on a Canadian, Global, and Emerging Markets basis. Our product line ranges from indexed and enhanced indexed to active strategies.

The Canadian equity market is heavily influenced by global forces due to the S&P/TSX Composite's large weighting in energy and materials stocks. As commodity prices are set on the international stage, a heightened global demand for energy and basic materials drives strong relative and absolute performance of the companies within our domestic equity portfolios.

Our products also provide clients with investments covering the global equity markets including the U.S., European, and Asian markets. Our Active Emerging Markets Fund, launched in 2008 and managed by external managers, is diversified across rapidly growing economies such as India and Latin America. Our Active Global Equity Fund, launched in 2009, provides global market exposure across geographical boundaries, industry sectors, and market capitalizations. The funding of our new Indexed Global Equity and Enhanced Indexed Global Equity funds in 2011 further diversifies bcIMC's suite of global products that differ in their risk and return characteristics and management styles.

$38 BILLION
in public equity holdings

53 portfolios

19 equity pools

investments traded in **45** countries around the world

28 external managers

... global
private placements and infrastructure

bcIMC looks for privately negotiated investment opportunities involving private and public companies with attractive long-term prospects. We are continually expanding our portfolio of quality companies with global operations across a variety of sectors that includes financials, energy, consumer staples, and core infrastructure. We partner with globally oriented investors and international managers, leveraging their in-depth sector and market expertise for our clients' benefit.

Dalrymple Bay Coal Terminal, in Australia, is the one of the world's largest metallurgical coal export terminals. Its annual capacity is 85 million tonnes, and it ships to export markets throughout Asia, Europe, Latin America, and the Middle East. About 80 per cent of the coal is used for steelmaking purposes. bcIMC invested in this asset in 2010 alongside Brookfield Americas Infrastructure Fund.

International Meal Company (IMC) is one of Brazil's largest retail food concessionaires. Its 200-plus stores and restaurants are found in airports, shopping malls, and highway plazas across Brazil and other Latin America countries. We co-invested in IMC alongside Advent International, one of bcIMC's longstanding business partners, in 2010. In March 2011, IMC successfully completed a U.S.$275-million initial public offering.

LyondellBasell is a multinational chemical company based in the Netherlands. Its products go into an extensive range of end markets including fresh food packaging, foam cushioning, lightweight plastics, medical applications, and automotive components. Its products are marketed in more than 100 countries. bcIMC's investment interest is through a fund managed by Apollo Management.

bcimc Investment Management Corporation

message from the chair

As bcIMC moves forward with our increasingly global mandate, I believe the Board of Directors has a number of important roles to play that contribute to the well-being and strength of our company.

First, we need to find a balance between a prudent investment approach and vigorous pursuit of our beliefs. Our Board members must also ensure that the needs of our clients will be met. As such, they need to be aware of the challenges and complexity in the capital markets and global environment, and particularly how that may impact bcIMC.

In doing so, however, we must remember that ours is an oversight role, both for risk management and in helping set the strategic direction of bcIMC. The CEO/CIO is responsible for leading strategy; we must be useful in assisting and advising him, while paying attention to and connecting the dots that are important to bcIMC.

The second focus for the Board is around "keeping our promises." That is how we earn the loyalty of both our clients and staff. Our oversight role must be guided by this credo at all times. Specifically, that means being attentive to the investment performance and risks of bcIMC, as well as closely monitoring staff development and morale.

At bcIMC, we are fundamentally accountable to our clients. Those clients, however, have a choice – they are not mandated to use our services. Our investment professionals therefore need to continue to deliver the investment returns that our clients require and expect.

One key to doing that is successfully investing in the internal skills and expertise of staff. We must have a compensation structure and philosophy that allows us to compete for, attract, and retain the best investment professionals. This year, the Board focused a considerable amount of effort on a comprehensive compensation review. It is something we undertake every three years to ensure that our compensation philosophy aligns staff interests with those of our clients.

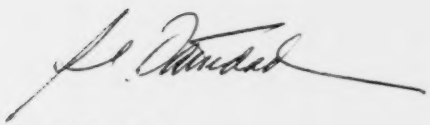
The third and final area of focus for the Board needs to be on ensuring bcIMC is a "learning organization" – one which builds strength and advantage through research insights that are drawn from excellent information-gathering, analysis, and interpretation.

Nurturing the organization's growth in this area is done in a number of ways. These range from general encouragement to ongoing questions about the business and support for incorporating staff insights into our business strategy.

Information and research can enhance a company's competitive edge. The Board and bcIMC have taken steps to build internal research capability during the past year, and we are impressed with the increased capacity and ability to gather and digest investment information. This accomplishment is a fruitful fulfillment of our stated objective of creating in-house research capability to enhance our collective insight and knowledge. Bringing more assets in-house over the longer term also lowers costs for clients, allows us to become more self-reliant, and strengthens our internal investment capability.

In closing, I want to thank the Board for all their efforts this past year. In particular, I want to acknowledge the work of Joanne McLeod, who leaves us after three years on the Board and her significant contributions to the Audit Committee. I also wish incoming Chair Rick Mahler all the best in his new role.

Finally, as I move on from my role as Chair after almost four years, I want to emphasize how much I appreciated and enjoyed working with the bcIMC team and my fellow Board members. I wish you continued success in the future.



Sid Fattedad

Chair

report from the ceo/cio

An ever more dynamic and interconnected global environment created unique investment challenges during 2010–2011.

Last year the increasing interconnectivity of the capital markets – and the countries in which they operate – became a key investment consideration. With the upward and downward movement of the markets now essentially accepted as a given, a number of new global issues added a degree of complexity that we had not seen before. European sovereign debt, the slowing of mature economies and the growth of newly emerging economies, the events in the Middle East and North Africa, and ongoing questions about the strength and stability of the economy were just some of the matters that were considered throughout the year.

In dynamic and ever-changing markets, it is often easy to question investment philosophies and approaches. However, we are committed to our investment values and will not waver from the fundamentals of diversification, discipline, and due diligence. Our focus remains on building a portfolio of quality holdings that will deliver the returns our clients expect while anticipating how global trends and events will play out in the markets.

By taking this investment approach, bcIMC was able to end the fiscal year with $86.9 billion of assets under management, up by $7.2 billion from the previous year. Combined pension plan returns exceeded our clients' return expectations – the one-year annual return, net of fees, for our combined pensions was 10.8 per cent compared to a combined benchmark of 9.7 per cent, providing over $685 million in additional value, net of all investment management fees.

Real estate, private placements, infrastructure, Canadian equities, and new economy equities delivered strong absolute returns, while fixed income and mortgages offered modest absolute returns. Most asset classes outperformed their one-year benchmarks, with only certain public equities falling short. Market events and cycles will impact our portfolios on the short-term, and this year was a difficult environment for the management of equity investments. A number of geopolitical and macroeconomic events, combined with numerous company-specific matters, caused the markets to be volatile, complex and fast-moving during the year. This impacted many of our enhanced indexed and active equity funds.

For the 10-year period ending March 31, 2011, bcIMC's combined pension return was 6.0 per cent on an annualized basis, while the 20-year period provided an annualized return of 8.3 per cent.

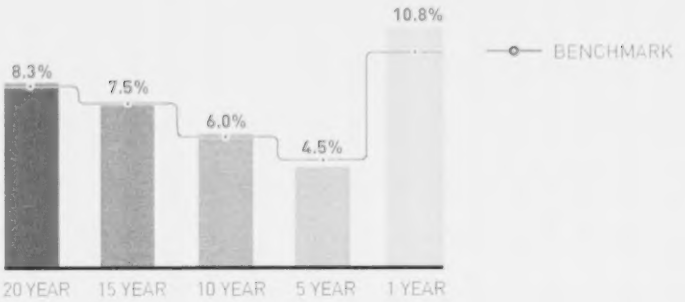
THE YEAR IN REVIEW Given the challenges in the global investment environment last year, I am proud that our team did not waver from their investment values, maintained their focus, and took appropriate market risks while managing our clients' portfolios.

There were highlights from across bcIMC. Acquiring Parkbridge Lifestyle Communities Inc. – Canada's largest operator of land-lease communities, which manages over 80 properties – was just one example. Land-lease communities offer affordable housing choices to seniors and families within a residential or resort community. The purchase of Parkbridge further diversifies our residential real estate holdings and will help contribute strong and stable income returns with long-term capital appreciation.

In the infrastructure portfolio, we increased our direct interests in existing platform companies – such as Trencap, Thames Water, and Aquarion Water – allowing us to both deploy meaningful capital and improve our governance positions.

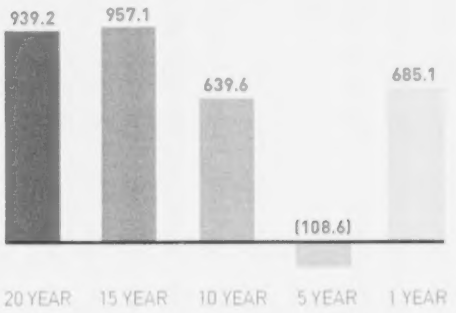
While market conditions made it difficult to meet private equity commitment targets, we were able to commit over $390 million. We anticipate that the pace of fundraising will improve in 2012 as debt markets and exit environments begin to open up, both of which should encourage investors to invest the capital left over from previous years.

bcIMC Annualized Pension Returns
Returns for the periods ended March 31, 2011[1]

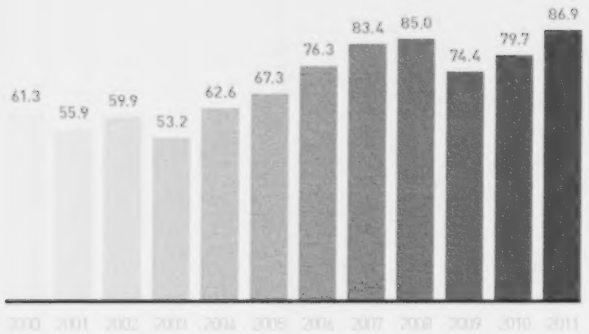


[1]Balanced portfolio returns are shown net of fees.

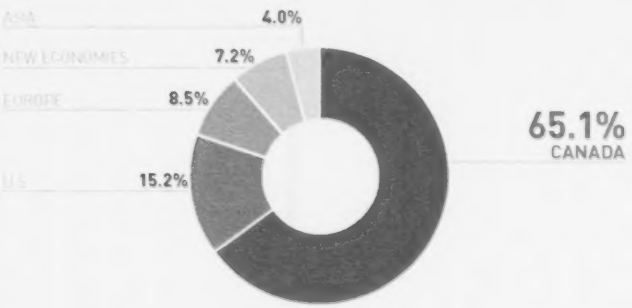
Cumulative Value Added by bcIMC
($ million) Total pension portfolio return minus benchmark return for the periods ended March 31, 2011



Assets Under Administration
($ billion) for the year ended March 31



Regional Allocation of Assets Under Management
as at March 31, 2011



In terms of mortgages, bcIMC's commitments of almost $610 million were down from the previous year as competition for assets increased among investors in this sector. However, as a stable institutional investor, we continued to take advantage of our ability to negotiate high-yielding mortgage investments.

Significant progress was made with respect to our fund offerings this past year. We expanded the global equity platform – adding the Indexed Asian Equity Fund, the Indexed Global Equity Fund, and the Enhanced Indexed Global Equity Fund – all of which allow participating clients to get broader exposure to the companies, sectors, and regions that are expected to grow over the next five to 10 years. In the fixed income area, the new Canadian Real Return Bond Fund offers clients the opportunity to invest in debt securities issued or guaranteed by a Canadian government. Meanwhile, bcIMC's Canadian Universe Bond Fund continues to be one of Canada's largest and most active universe bond mandates.

A final area of note was with respect to our shareholder engagement activities. For the first time, we escalated our engagement by filing shareholder proposals with three companies on the topic of majority voting. Given the public and confrontational nature of this approach, this was not an easy decision to make. bcIMC views it as a "last resort" strategy, to be used only after all constructive efforts have failed to motivate companies towards governance change. Fortunately, two companies favourably considered our proposal, and the shareholders of the third company, European Goldfields, voted to adopt bcIMC's proposal.

OPERATING IN A DYNAMIC AND INTERCONNECTED GLOBAL ENVIRONMENT Last year clearly demonstrated that the world is becoming more complex and adaptive, with the pace of change accelerating and financial and other networks becoming increasingly interconnected. Operating in this environment – which some are calling the "new normal" – means understanding that the traditional economic, social, political, and business environments are all being redefined.

Newly emerged economies such as China, India, and Brazil, for example, are gaining prominence and becoming major players in the global economy. As a result, global institutions are changing to accommodate this growing influence. Products and services are being developed to meet the needs and preferences of a new middle class that is developing within these countries.

Demographics underlie this altering landscape. As population growth rates in many mature countries fall below replacement levels – with fewer young workers available to support older citizens – many of the new economies offer a growing and increasingly competitive demographic profile.

Connectivity is another powerful force that is changing global dynamics. New technologies are creating opportunities for innovation and collaboration with customers, partners, suppliers, and competitors. This is contributing to more complex and multi-layered, yet nimble relationships among multiple players.

As a result, the degree of economic connectivity and integration has reached new heights. The 2011 earthquake and tsunami in Japan, for example, did not impact only that country's economy. Worldwide suppliers of Apple merchandise – such as the iPad, iPhone, and iPod – became concerned about potential supply risks, as Japan produces many of the key components for these products.

Similarly, the eruption of Iceland's volcano in April 2010 had effects well beyond that country's borders, and not just on tourism and travel. The movement of time-sensitive goods and products – from perishable goods out of Africa and the Caribbean to auto parts from Ireland needed in Japan – were all potentially threatened.

Even Europe's sovereign debt demonstrates the extent of connectivity that is becoming all too common. Banks and governments in Europe are now interconnected through debt, owing one another many billions of euros. In our global financial system, essentially everybody owes somebody something.

At bcIMC, we are working to build our strategic resilience in a world of new global opportunities and risks. This requires a deep understanding of the changing global dynamic, as well as the ability to respond to the risks and opportunities that the new environment presents.

This year's annual report focuses on some of the efforts we are making to expand our global presence and operate in the new normal. From expanding our product line and investment activities to become more globally-oriented, to building the internal research capability that will enable us to identify strategic and thematic investment opportunities, and bringing more of the assets in-house in a bid to help mitigate increasing costs – all of these changes are being made to ensure we continue to deliver the returns that help finance the pensions of over 475,000 British Columbians.

LOOKING FORWARD As we look ahead to the coming year, it is clear that the fear of inflation has returned. Global growth prospects have improved, and new market economies are fuelling an increase in commodity prices.

Many players speculate that rising prices for commodity imports – combined with excessive easing of monetary and fiscal policy – will lead to higher inflation. However, the mature economies of North America, Europe, and Japan all continue to operate significantly below their potential, with unemployment rates still well above pre-recession levels. Accordingly, it seems unlikely there will be a major surge in mature-country inflation in the next couple of years.

If there is one thing that seems assured, it is that the capital markets will continue to be dynamic in nature, always evolving and presenting new risks and opportunities. I remain confident that our people, processes, and strong risk management philosophy will guide us through these dynamic environments.

ACKNOWLEDGEMENTS As another year is completed, I want to acknowledge once again the ongoing support of our clients and the bcIMC Board of Directors. Our Board's strong governance and strategic guidance is a key reason for our continued success.

In particular, I would like to thank Sid Fattedad, who will be stepping down as Chair of the Board at the end of April 2011. A Board member since 1999 – and Chair from 2007 – his presence helped establish the culture and tone that makes bcIMC what it is today.

Board member Joanne McLeod completed her term in December 2010, having served since 2008 and been a vital member of the Board's Audit Committee. I thank Joanne for all her contributions to bcIMC.

I also want to extend a warm welcome to Rick Mahler as a new Director and incoming Chair of the Board in the next fiscal year. Rick has a strong background as a financial executive which – combined with his significant experience serving on corporate boards – makes him an excellent addition for bcIMC.

Welcome also to Gina Pala, who becomes our new Vice President, Information Technology from April 2011. The creation of this new position reflects the increased importance we are placing on our in-house technology capabilities that support our investment processes, research initiatives, and operations.

Last, but certainly not least, I want to recognize the commitment that all bcIMC staff continue to show to their work and our clients. It is because of their efforts that we are able to provide good results and service to our clients.

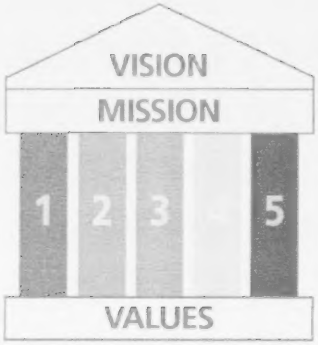
Doug Pearce

Chief Executive Officer / Chief Investment Officer

Investment Management Corporation

Management's Discussion and Analysis

about **British Columbia Investment Management Corporation**



PILLAR ONE: **Investment Returns**
PILLAR TWO: **Risk Management**
PILLAR THREE: **Responsible Investing**
PILLAR FOUR: **Client Services**
PILLAR FIVE: **Building bcIMC**

We provide fund management services to clients within British Columbia's public sector. Our investment activities cover money markets, fixed income, mortgages, real estate, public and private equity, and infrastructure.

The British Columbia Investment Management Corporation (bcIMC) was created in 1999 under the *Public Sector Pension Plans Act* as an independent organization.

OUR STRATEGIC CONTEXT bcIMC's Vision, Mission and Values provide the strategic framework for our investment management activities and supporting operations.

Within this context, our Five Pillars form the key components of our business: Investment Returns, Risk Management, Responsible Investing, Client Services, and Building bcIMC. These pillars are integrated into our business planning and reporting processes, providing the framework for the evaluation of corporate and staff performance.

vision

We will be the responsible fund manager of choice for the British Columbia public sector, at the forefront of the industry and consistently exceeding the performance and service expectations of our clients.

mission

We are accountable to our clients to provide professional fund management for all asset classes, exercising the highest standards of prudence and fiduciary responsibility. We deliver to our clients the highest return for a given level of risk, at a reasonable cost, while recognizing our responsibility to the broader society through our governance, social and environmental related activities.

values

Respect We treat others with courtesy, professionalism and dignity. **Integrity** We act fairly and ethically in all our dealings. **Honesty** We are sincere and candid in our accountability to clients and other stakeholders. **Trust** We earn client confidence by acting with prudence, diligence and transparency.

OUR CLIENTS bcIMC is a large and stable member of the Canadian investment community. We have long-standing relationships with the clients who have chosen to entrust us with their funds. These clients include public sector pension plans, public bodies, publicly administered trust funds, and government operating funds. As an independent organization, we are directly accountable to our clients.

OUR INVESTMENT APPROACH bcIMC works in the best financial interests of our clients, whose mandates range from money markets to large diversified portfolios. Their objectives differ by investment needs, risk tolerance, and returns. To match these varied interests and expectations, we customize investment policies to best suit clients' needs and financial obligations.

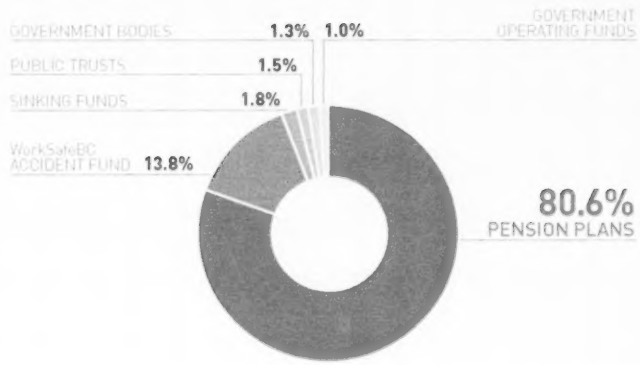
For pension fund clients – a significant part of our client base – we seek value-added returns over an investment horizon that can exceed 30 years. These clients' long-term horizons allow them to take on a greater balance of market and liquidity risk to increase returns and reduce costs. Clients such as public bodies have shorter investment horizons and seek to minimize risk.

Our clients' trustees approve investment objectives, performance targets, and asset allocation. While we consult and advise our clients on these topics, their decisions establish policy benchmarks and the framework for us to apply our investment discipline.

We are conservative in our approach to managing our clients' mandates. bcIMC does not short sell equities, makes limited use of leverage, and primarily uses derivatives for risk reduction and cash management purposes.

Our investments are diversified by asset class, region, and style. We use a combination of internal and external portfolio managers with complementary management styles to provide resilience during market cycles. As of March 31, 2011, 61 per cent of assets were managed internally.

Client Profile
as at March 31, 2011



Assets under Administration
for the year ended March 31, 2011

	ASSETS $ billion	ASSETS %
Bonds	22.4	25.7
Global Equities	17.9	20.7
Canadian Equities	14.6	16.8
Real Estate	11.7	13.5
New Economies Equities	5.5	6.3
Infrastructure and Strategic Investments	4.1	4.7
Mortgages	3.9	4.5
Private Placements	3.8	4.3
Short-Term Securities	2.9	3.4
Currency Hedging	0.1	0.1
Total	**86.9**	**100.0**

OUR ASSET MIX As at March 31, 2011, bcIMC managed $86.9 billion in assets, an increase from $79.7 billion in 2010.

Under the portfolio management process, clients' funds are invested in a mix of asset classes that reflects the individual client's investment objectives and risk tolerance. In some cases, a client's funds may be invested in only one or a few asset classes.

OUR PRODUCT RANGE The pooled investment fund is the primary investment vehicle offered to our clients. Clients buy or sell units in the pools rather than the underlying securities. The pooled fund structure provides economies of scale, allowing large and small clients alike to obtain a more diversified portfolio at lower costs than by investing individually. We manage 67 pooled funds with investment strategies that cover all major asset classes.

As the capital markets evolve and we continue to strengthen our global focus, we adapt our product range to ensure our clients can benefit from new investment opportunities. This year we expanded our portfolio with four additional funds:

- The Canadian Real Return Bond Fund holds debt securities issued or guaranteed by a Canadian government (federal, provincial, or municipal). Coupon and principal payments are adjusted for inflation, and the securities typically have a term to maturity of up to 40 years.
- The Indexed Asian Equity Fund, internally managed by bcIMC, provides broad exposure to mature Asian equity markets. The fund has a five to 10 year investment horizon and aims to provide higher potential returns relative to fixed income securities.
- The Indexed Global Equity Fund holds companies, sectors, and regions that closely match its benchmark, the Morgan Stanley Capital World ex-Canada Net Index. This internally managed fund has a mid-term investment horizon and will be funded in 2011.
- The Enhanced Indexed Global Equity Fund provides similar exposure to global markets with the potential of earning a higher rate of return than its benchmark. This internally managed fund, with a mid-term horizon, will also be funded in 2011.

In 2010–2011, we also wound down four funds and consolidated the Indexed U.S. Value Equity Fund into the Indexed U.S. Equity Fund.

Pillar One: Investment Returns capital markets overview

Recovery continued in the capital markets over the past year, with the world's markets shrugging off the impact of such challenges as the sovereign debt crisis in Europe, political uprisings in the Middle East and North Africa, and the 2011 earthquake in Japan.

On the economic front, global growth accelerated to 5 per cent in 2010 after the world economy shrank 0.5 per cent in 2009.[1] However, conditions varied widely around the world. Since the onset of the credit crisis and recession, much discussion focused on "decoupling" as China and other new markets prospered and seemed to be less affected by the ongoing economic problems in North America and Europe. The continued upward trajectory of these new economies resulted in rising inflation and monetary policy tightening, both of which led investors back towards the perceived safety of markets in Europe and North America.

In various countries reforms, including the Basel III regime, were aimed at strengthening financial regulation to ensure that large, interconnected financial institutions do not create another crisis. In North America and Europe, corporate finances strengthened and access to credit became easier. Government fiscal positions continued to deteriorate; the legacy of the credit crisis saw many governments assume the large obligations of failed financial institutions.

An improving credit environment led to stronger conditions in private equity markets, with a significant increase in merger-and-acquisition activity. Real estate markets remained in difficulty in a number of countries, although in Canada investors were increasingly eager to acquire properties.

[1] International Monetary Fund

The year 2010 began well, but by April the European sovereign debt crisis was fully underway. As a result, interest rates paid by governments in euro-zone countries such as Greece and Portugal soared, further exacerbating their fiscal problems.

Also in April 2010, an offshore oil rig in the Gulf of Mexico exploded, casting a shadow over the energy sector and highlighting investor concerns and interests in long-term environmental sustainability. Later that month, more problems arose in Europe with Greece requesting a bailout from the International Monetary Fund and the euro-zone. In May, already-skittish investors were stunned by a "flash crash" on the New York Stock Exchange that sent stocks into freefall for about 45 minutes before the market stabilized.

July began with U.S. stocks hitting their lows for the year after a worse-than-expected employment report. Stocks slumped later in the month after U.S. Federal Reserve chair Ben Bernanke said the economic outlook was "unusually uncertain," but started to pick up after Bernanke hinted in August of another round of quantitative easing (QE2).

QE2 was formally launched in early November. With the U.S. economy showing signs of recovery, many were critical of the Federal Reserve's move – worrying it would lead to higher inflation – while some European and new economy governments feared a potential dollar depreciation might hurt their exports. As the year ended and 2011 got underway, a number of shocks – from uprisings in the Middle East and North Africa to the Japanese earthquake and a looming U.S. budget fight – affected global financial markets.

bcIMC ended the year with a cautious view of the markets, with the big issues being inflation and the potential for rising interest rates. Monetary tightening is expected this year in Canada, reducing the appeal of longer-term fixed income. A better economy and higher inflation cuts both ways in equity markets. Opportunities remain in the private equity markets, but pricing is a concern with many investors looking for better returns than are offered by lower-risk assets.

pooled fund annualized returns and benchmarks

Fixed Income

Annualized returns and benchmarks (%) for the periods ended March 31, 2011.
Benchmarks are presented in blue. Actual pooled fund returns, net of costs, are in black.

SHORT-TERM	20 Year	15 Year	10 Year	5 Year	3 Year	1 Year
Short-Term Fund One	4.1	3.3	2.6	2.4	1.1	0.8
DEX 30 Day Treasury Bill Index	3.9	3.1	2.5	2.2	0.9	0.4
Short-Term Fund Two	4.4	3.6	2.9	2.7	1.5	1.0
DEX 91 Day Treasury Bill Index	4.2	3.3	2.7	2.5	1.2	0.8
Short-Term U.S. Fund Three	2.8	1.1	(2.6)	(1.3)	(1.3)	(4.0)
Citigroup 30 Day Treasury Bill Index	2.3	0.7	(2.8)	(1.7)	(1.5)	(4.0)
Short-Term Bond Fund	–	5.5	4.8	4.6	3.8	3.1
DEX Short-Term Government Bond Index	6.5	5.5	4.8	4.7	3.9	3.2
MORTGAGES						
Fixed-Term Mortgage Fund	–	7.4	6.7	6.2	6.7	6.4
DEX Short Term Bond Index +1%	–	6.7	6.1	5.9	5.5	4.4
Construction Mortgage Fund	–	6.7	6.0	6.1	5.2	5.5
DEX One Year Treasury Bill Index +1%	–	5.0	4.4	4.3	3.2	2.4
Mezzanine Mortgage Fund	–	–	9.2	9.6	10.0	(0.5)
DEX One Year Treasury Bill Index +2.5%	–	6.5	5.9	5.8	4.7	3.9
BONDS						
Canadian Universe Bond Fund	–	–	–	–	5.6	5.5
DEX Universe Bond Index	8.0	6.9	6.1	5.3	5.1	5.1
Global Government Bond Fund	–	–	–	–	–	2.7
JP Morgan Government Bond Index Global (Traded) Hedged C$	–	–	–	4.7	4.0	3.0

Public Equities

Annualized returns and benchmarks (%) for the periods ended March 31, 2011.
Benchmarks are presented in blue. Actual pooled fund returns, net of costs, are in black.

CANADIAN EQUITIES	20 Year	15 Year	10 Year	5 Year	3 Year	1 Year
Indexed Canadian Equity Fund	9.7	9.8	9.2	6.4	4.7	19.5
S&P/TSX Equity Index	9.7	9.4	8.9	6.0	4.4	19.5
Enhanced Indexed Canadian Equity Fund	–	–	–	6.2	4.9	19.0
S&P/TSX Capped Equity Index	–	–	–	6.0	4.4	19.5
Active Canadian Equity Fund	10.3	10.2	9.1	5.2	5.1	17.4
S&P/TSX Capped Equity Index	9.9	9.8	8.9	6.0	4.4	19.5
Active Canadian Small Cap Equity Fund	–	–	–	–	8.3	32.5
S&P/TSX Small Cap Equity Index	–	–	8.0	3.7	5.3	34.4
GLOBAL EQUITIES						
Active Global Equity Fund	–	–	–	–	–	5.5
MSCI World Net Index	5.8	3.2	(0.7)	(1.6)	(2.0)	8.8
Indexed U.S. Equity Fund	–	4.5	(1.6)	(1.0)	0.5	10.9
S&P 500 Total Return Index	7.8	4.4	(1.6)	(1.0)	0.5	10.9
U.S. Social Index Fund	–	–	–	–	1.2	5.9
MSCI KLD 400 Social Index	8.2	4.7	(1.7)	(1.2)	1.3	6.0
Enhanced Indexed U.S. Equity Fund	–	–	(1.8)	(1.5)	(0.0)	10.1
Russell 1000 Index / S&P 500	7.9	4.5	(1.3)	(1.0)	0.5	10.9
Active U.S. Equity Fund	–	4.6	(0.6)	(0.9)	1.6	10.1
Russell 1000 Total Return Index	8.1	4.7	(1.1)	(0.8)	1.1	11.9
Active U.S. Small Cap Equity Fund	–	–	–	–	5.4	23.5
Russell 2000 Total Return Index	8.9	5.4	2.8	(0.3)	6.6	20.6
Indexed European Equity Fund	–	–	–	(1.2)	(5.4)	8.3
Enhanced Indexed European Equity Fund	–	–	–	–	(6.5)	7.5
Active European Equity Fund	–	–	–	(2.9)	(7.4)	8.4
MSCI Europe Net Index	7.4	5.0	0.7	(1.6)	(5.8)	8.0
Indexed EAFE Equity Fund	–	–	–	(2.0)	(4.4)	6.2
Enhanced Indexed EAFE Equity Fund	–	–	–	–	(7.1)	5.9
Active EAFE Equity Fund	–	–	–	(2.8)	(5.0)	8.4
MSCI EAFE Net Index	4.7	2.4	0.4	(2.3)	(4.7)	5.9
NEW ECONOMIES EQUITIES						
Active Asian Equity Fund	–	–	–	–	–	12.4
MSCI All Country Asia Pacific ex-Japan Net Index	–	–	–	7.0	3.3	13.2
Active Emerging Markets Equity Fund	–	–	–	–	0.4	11.8
MSCI Emerging Markets Net Index	–	–	–	6.7	2.5	13.6

Private Placements, Real Estate, and Strategic Investments and Infrastructure

Annualized returns and benchmarks (%) for the periods ended March 31, 2011, except where noted.
Benchmarks are presented in blue. Actual pooled fund returns, net of costs, are in black.

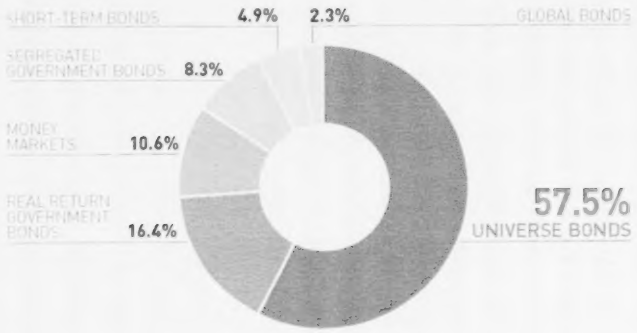
PRIVATE PLACEMENTS	20 Year	15 Year	10 Year	5 Year	3 Year	1 Year
Private Placement Pools[1]	–	5.0	3.8	6.8	2.2	14.2
MSCI All Country World +2% / BMO Small Cap Index 10 Year Annualized +4.5%[1][2]	–	14.5	13.8	12.5	11.2	12.3
REAL ESTATE						
Realpool Domestic	–	10.4	9.6	7.8	1.1	11.9
Canadian CPI +4%	5.9	6.0	6.1	5.9	6.0	7.3
Realpool International[1]	–	–	(0.7)	(3.1)	(14.5)	6.7
Canadian CPI +7%[1]	–	9.0	9.0	8.8	8.6	9.4
STRATEGIC INVESTMENTS AND INFRASTRUCTURE						
SIIF	–	–	–	9.0	8.3	12.2
Canadian Public Equity	–	–	–	3.6	3.8	20.0
Private Placements[1]	–	–	–	10.9	11.8	10.6
Real Estate[1]	–	–	–	5.2	(4.0)	1.5
8% Nominal Benchmark	8.0	8.0	8.0	8.0	8.0	8.0

[1] The Private Placement, Realpool International, and Strategic Investments and Infrastructure assets (with the exception of the public equities component) are illiquid in nature, and as such, they are valued annually at December 31. The illiquid asset returns are calculated as at December 31, 2010 using the Horizon Rate of Return methodology. These returns reflect the combined activity in all the vintage year pooled funds and WorkSafeBC Accident Fund's segregated investments for the performance period. Benchmark returns are calculated using the Time Weighted Rate of Return methodology. At the time of publishing the annual report, the returns for the illiquid assets are unaudited.

[2] The Private Placement pools benchmark was changed to the MSCI All Country World Index +2% on April 1, 2010.

fixed income

Fixed Income Portfolio
Assets as at March 31, 2011



With a fixed income and short-term securities portfolio of $25.3 billion and a currency hedging program of $115 million, bcIMC is a major player in the Canadian capital markets.

OUR APPROACH bcIMC manages money market and fixed income funds diversified by duration and investment mix. Our clients can invest in global and Canadian government and agency bonds, investment-grade corporate securities, and real return bonds issued by Canadian federal and provincial governments. We also manage a large number of segregated assets for various clients.

Our fixed income funds are actively managed in-house to add value above and beyond their stated benchmarks. We use a combination of strategies that include yield curve positioning, duration timing, and securities selection. Issuers within our pools are assessed and reviewed regularly for default and credit risk. Credit limits are set for approved issuers to mitigate risks.

This year we introduced notional ratings, which are internal credit ratings for companies in which we invest. Our internal ratings, used in conjunction with external ratings, allow enhanced insight and greater independence in investment decision making.

bcIMC manages more than $20 billion of foreign currency exposures by actively hedging the yen, the pound, the euro, and the U.S. dollar. We assess the relative value of international currencies by considering fundamental, technical, and geopolitical factors. We hedge the currencies we believe will depreciate against the Canadian dollar, thereby optimizing the effect of currency fluctuations on client returns.

PERFORMANCE ANALYSIS It was a turbulent year for fixed income markets. Economic events such as a burgeoning global economic recovery, policy events such as the U.S. Federal Reserve's

quantitative easing program, and external factors such as the events in the Middle East and North Africa contributed to market fluctuations. Within this environment, bcIMC took advantage of yield curve shifts and changing spreads between short- and longer-term interest rates.

Our short-term money market funds performed well this year, with two of the four funds continuing to exceed their benchmark. Short-Term Fund One, which invests in Canadian government debt securities, and Short-Term Fund Two, which invests in Canadian government and corporate debt securities, each outperformed their benchmark by 0.2 percentage points, maintaining their positive long-term performance records. Over the 20-year period, Short-Term Fund Two has outperformed its benchmark by 0.2 percentage points.

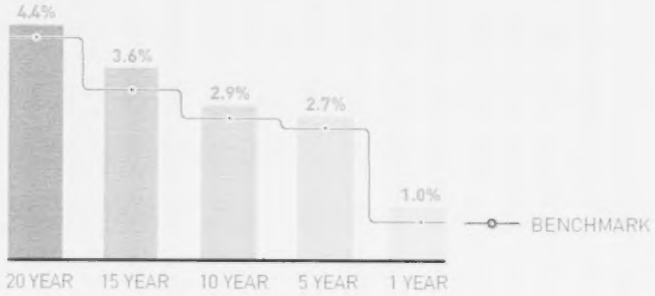
The Canadian Universe Bond Fund, which is one of the largest actively managed programs in Canada, returned 5.5 per cent for the year. This performance is due to bcIMC's correct anticipation of interest rate movements as well as shifts in the yield curve.

The European sovereign debt crisis contributed to a difficult first year for our Global Government Bond Fund. The fund returned 2.7 per cent compared to a benchmark of 3.0 per cent. bcIMC remains concerned that other European countries might experience sovereign defaults and continues to monitor the situation. We will take the necessary steps to manage clients' exposure to those countries whose solvency we consider to be at risk.

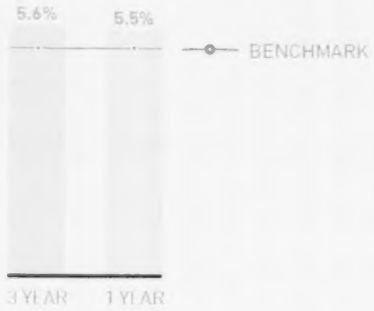
Due to concerns about Europe, in 2009–2010 we implemented a partial hedge in clients' exposure to the euro. We continue to hedge the euro as we feel the ongoing sovereign debt risk imbalance may lead to some depreciation going forward. We are partially hedging the Japanese yen to mitigate losses resulting from future depreciation against the Canadian dollar.

LOOKING FORWARD With higher interest rates expected throughout the world and the flattening of yield curves, we anticipate a difficult year in the bond markets with potentially lower returns. Given the integration of capital markets, we will continue to monitor the European sovereign debt crisis and events in the Middle East and North Africa to protect our clients' interests.

Short-Term Fund Two Performance
Annualized returns for the periods ending March 31, 2011



Canadian Universe Bond Fund
Annualized returns for the periods ending March 31, 2011



[1]For full details, see **Pooled Fund Annualized Returns and Benchmarks** on page 21.

PREDICTABLE CASH FLOWS **fixed income** REAL RETURN BONDS **liquidity** AGENCY BONDS **capital markets**
DIVERSIFIED **global government bonds** **CREDIT** long-term INCOME CERTAINTY **reduced risk** SHORT-TERM MONEY MARKETS
yield POOLED FUNDS investment grade corporate securities **universe bonds** CURRENCY HEDGING **FOREIGN EXCHANGE**

mortgages

Mortgage Holdings by Fund Type
as at March 31, 2011

Mortgage Holdings by Property Type
as at March 31, 2011

With a mortgage portfolio valued at $3.9 billion, bcIMC is a major lender to the Canadian commercial real estate industry.

OUR APPROACH Mortgages are an attractive risk-adjusted hybrid of fixed income returns with real estate as security. These investments provide monthly principal and interest payments that decrease risk while the underlying value of the mortgaged asset appreciates with time.

We offer three pooled portfolios: the Fixed-Term Mortgage Fund, the Construction Mortgage Fund, and the Mezzanine Mortgage Fund. These funds are diversified by loan size, region, and property type with a focus on industrial, office, apartments, and retail. Our investments are Canadian-based and exclude single family dwellings. As a stable institutional investor, we can negotiate high-yielding mortgage investments that provide attractive security on a risk-adjusted basis. Over $5.5 billion in construction loans has been committed to date. We do not securitize loans.

bcIMC actively manages and services our mortgage portfolios. Our approach includes detailed underwriting, credit, and financial analysis of all major tenants, guarantors, and borrowers. This year we completed risk ratings on all fixed-term mortgages using our credit risk rating system developed in 2009. This system provides higher or more attractive credit risk ratings to mortgaged properties that exhibit energy conservation features such as LEED certification.

We seek quality construction projects, such as the Five St. Joseph condo development in Toronto. This project, a Tricon X and bcIMC/OPTrust syndicated investment, earned four Building Industry and Land Development Association awards in 2011, including the prestigious High-Rise Project of the Year.

Our in-house mortgage servicing operations includes overseeing all payments, cash flows, discharges insurance expiries, and borrower property tax payments. Following our Borrower and Broker Mortgage Survey, conducted in 2009–2010 by Ipsos Reid, we enhanced communication channels and marketing of higher-profile construction properties.

PERFORMANCE ANALYSIS Strong lending competition from banks, insurance companies, pension plans, and commercial mortgage-backed securities conduits compressed mortgage spreads throughout the year. Relatively low Government of Canada bond yields created a low interest rate environment for borrowers and contributed to an increase in commercial real estate transactions. As market expectations returned to pre-recession levels, valuations dramatically improved. Vacancies and rental rates were slow to recover and remain below pre-recession levels.

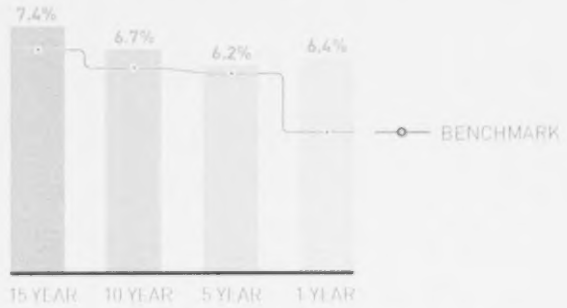
Our mortgage funds outperformed their respective benchmarks on a multi-year basis. The Fixed-Term Mortgage Fund returned 6.4 per cent over a one-year period against a benchmark of 4.4 per cent. Over a 15-year period, it exceeded its benchmark by 0.7 percentage points. A combination of falling credit spreads, a strong selection of mortgage investments, and no required loan loss provisions contributed to the fund's performance.

While a relatively low Canadian bank prime rate negatively affected the Construction Mortgage Fund, our implementation of interest rate floors on new construction loans enhanced performance. The absence of loan loss provisions and the rate increases by the Bank of Canada also contributed to the returns. The one-year return exceeded its benchmark by 3.1 percentage points. Over 15 years, this fund has returned 6.7 per cent for participating clients.

The Mezzanine Mortgage Fund benefited from a good selection of mortgage investments, falling mortgage credit spreads, and Government of Canada bond yields. However, the implementation of a conservative loan loss provision to accommodate financial concerns with a mortgage property, contributed to the (0.5) per cent return for the year. Over a 10-year period, the fund's 9.2 per cent return has exceeded its benchmark by 3.3 percentage points.

LOOKING AHEAD Competition will intensify as institutional investors increase their asset allocations to mortgages. With rising interest rates, we anticipate greater opportunities to finance attractive investments within our Fixed-Term Mortgage Fund. Similarly, construction mortgages are expected to provide attractive risk-adjusted returns. We will continue to seek high-yielding mortgages with attractive risk-return profiles.

Fixed-Term Mortgage Fund Performance
Annualized returns for the periods ending March 31, 2011[1]

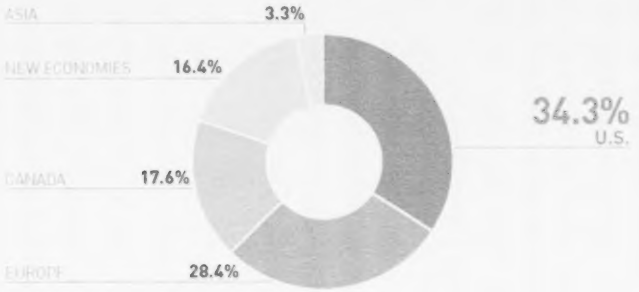


[1]For full details, see **Pooled Fund Annualized Returns and Benchmarks** on page 21.

COMMERCIAL **appreciation** **mortgages** **best-in-class** ANALYSIS **security** **APARTMENTS** ENVIRONMENT
construction INDUSTRIAL DEVELOPMENTS **FINANCING** spreads ENERGY EFFICIENT **retail** **mezzanine** MORTGAGE SERVICING
OFFICE interest rate floors **fixed income** DISBURSEMENTS MONTHLY PRINCIPAL AND INTEREST PAYMENTS

private placements

Regional Distribution of Private Placements
as at March 31, 2011



Program Diversification by Financing Type
as at March 31, 2011[1]

[1]Based on commitment

With a global portfolio valued at $3.8 billion, diversified by financing type, region, and sector, we are one of Canada's leading private equity investors.

OUR APPROACH Our Private Placements program allows clients to diversify their assets while offering the potential to enhance returns relative to traditional asset classes. Clients have exposure to privately negotiated investments in companies where investors typically have a majority control, either individually or with like-minded partners, allowing them to influence the company's strategic objectives and governance.

bcIMC assesses long-term investment opportunities across the entire private equity spectrum, which may include equity and debt investments. We invest with leading managers around the world complemented by direct principal investments and co-investments with core partners.

Investments range from providing capital to acquire mature companies through leveraged buyouts to expanding firms with significant growth opportunities, reorganizing troubled companies, and commercializing development-stage technologies.

Extensive due diligence is undertaken pre-investment, followed by active monitoring over the term of each investment. Prospective managers are assessed according to the quality and breadth of their team, their investment strategy, and their potential to generate superior returns relative to overall risk. This fiscal year we committed $280 million to Canadian, U.S., and European investment funds, which included an investment with BC Partners, a long-term core manager that focuses on large-scale mature company investments in Europe.

For co-investments and direct principal investments, we evaluate market, industry, and company-specific risk and projected returns. Third party advisors assist with environmental, legal, and other assessments. Over $113 million was directly invested in new opportunities, including a co-investment with IK Investment Partners in Agros Nova, a diversified food and beverage company in Poland.

PERFORMANCE ANALYSIS More favourable credit conditions led to renewed private equity activity around the world. This included dividend recapitalizations to investors, sales of existing portfolio companies, and new transactions. Amid a general improvement of global economic conditions and related public equity stock market gains, private equity valuations strengthened.

Although deal activity improved, capital raised for new funds remained modest. Much of this is attributed to the significant amount of undrawn investment commitments of existing funds. Many of our existing external managers did not return to the market to raise new funds, which made it challenging for our program to reach the targeted new commitments for the year.

Unaudited returns were 14.2 per cent. The improving and more stable economic environment enhanced the results of many companies within our portfolio. Strong performance of Asian, U.S. and European companies within the buyout category was offset somewhat by the continued appreciation of the Canadian dollar against the U.S. dollar and the euro.

Over a 15-year horizon, the program returned 5.0 per cent. Venture capital investments made during the information technology bubble, the financial crisis, and the strong appreciation of the Canadian dollar contributed to the program's underperformance. The program's long-term performance exceeds public market returns for the comparable period, as measured by the MSCI All Country World Index.

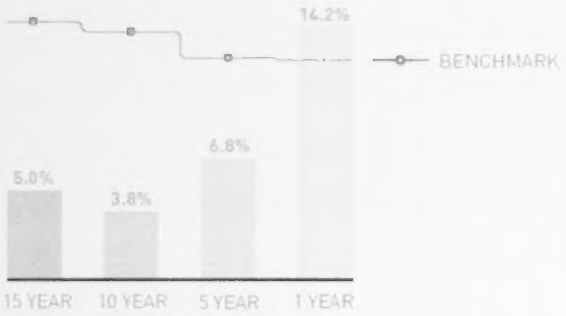
This year we amended the benchmark from the Bank of Montreal Small Cap Index 10-Year Annualized plus 450 basis points to the MSCI All Country World Index plus 200 basis points. This benchmark more accurately reflects the global nature and sector exposure of our program.

LOOKING FORWARD While our portfolio remains well-positioned and diversified, we are cautiously optimistic about the moderate growth in the global economy. Although the risk of potential shocks remains elevated, stable economic growth and financial markets will support good potential returns.

As the valuations of assets and companies increase, bcIMC remains disciplined in our assessment and underwriting of new fund and company investments. We anticipate distributions of capital to clients to remain robust as existing investments are sold to other financial and corporate buyers.

Private Placements Pooled Fund Performance

Annualized returns for the periods ending December 31, 2010[1]



[1] Private Placement assets are illiquid in nature, and as such are valued annually at December 31. Returns are calculated as at December 31, 2010 using the Horizon Rate of Return methodology. Benchmark returns are calculated using the Time Weighted Rate of Return methodology. At the time of publishing, the returns for illiquid assets are unaudited.

For full details, see **Pooled Fund Annualized Returns and Benchmarks** on page 23.

VENTURE CAPITAL **private placements** debt CO-INVESTMENTS mezzanine CREDIT MARKETS
start-up BUYOUTS EXPANSION entrepreneurship PRINCIPAL INVESTMENTS **long-term** ACQUISITIONS restructuring
GENERAL PARTNERS external managers **DUE DILIGENCE privately negotiated** PARTNERSHIPS **limited partners**

public equities

Regional Allocation of Public Equities
as at March 31, 2011

With equity holdings of $38 billion, bcIMC remains one of Canada's leading institutional investors in the public markets.

OUR APPROACH bcIMC is a mid- to long-term investor that invests in quality companies. Our 19 equity pools are diversified by region and investment style. We adhere to long-only strategies and use derivative instruments strictly for cash management purposes.

Indexed funds, managed internally, provide clients with direct and low-cost exposure to portfolios that closely match a benchmark index. Careful management of asset allocations, index changes, and security lending enhances fund performance.

Enhanced indexed funds, managed by bcIMC and our external managers, combine the alpha-generating strategies of active management with the risk controls of indexing to generate a moderate level of return and risk.

Active funds, with a higher risk profile, offer the highest potential returns through individual stock selection. Our external managers with diverse investment styles oversee these funds. This year we prepared for our first internally managed active mandate, within the Active Canadian Equity Fund. This will be funded in 2011 and contributes to our initiative of increasing in-house asset management.

Continuing with the development of our global equity platform, we restructured the Active ex-Japan Equity Fund into the Active Asian Equity Fund and broadened the Active Emerging Markets Equity Fund with an additional mandate and fundings. Mandates of several managers were transitioned to align with the new fund structures.

The Indexed U.S. Value Equity Fund was consolidated into the Indexed U.S. Equity Fund. We created and funded the Indexed Asian Equity Fund and prepared for the funding of the new Indexed Global Equity and Enhanced Indexed Global Equity funds in 2011.

PERFORMANCE ANALYSIS Despite a strong performance, global equity markets remained volatile as macroeconomic issues weighed on investors' minds. Low interest rates and lower than expected returns in the mature economies saw investors increasingly allocate their assets to new economies. This was driven in part by a search for higher growth opportunities, the U.S. Federal Reserve's quantitative easing program, and the European sovereign debt crisis. This was somewhat offset by the unrest in the Middle East and North Africa and rapidly rising inflation in the new economies.

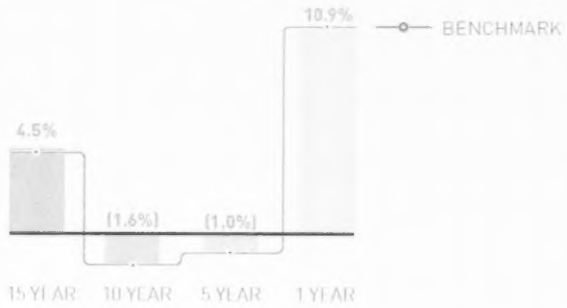
For the year, our indexed fund products either met or slightly exceeded their benchmark, with only the U.S. Social Index Fund slightly underperforming. As these funds are intended to match the risk-return characteristics of their benchmarks, this result was expected.

Our enhanced indexed funds generally underperformed their benchmarks with the exception of the Enhanced Indexed EAFE Equity Fund, which matched its benchmark. Increased volatility in recent years has challenged enhanced indexing, especially quantitatively based funds like those managed by bcIMC. Compared to the universe of enhanced index managers, our products have held up well. We are confident that when market conditions return to a more normal state, returns will improve.

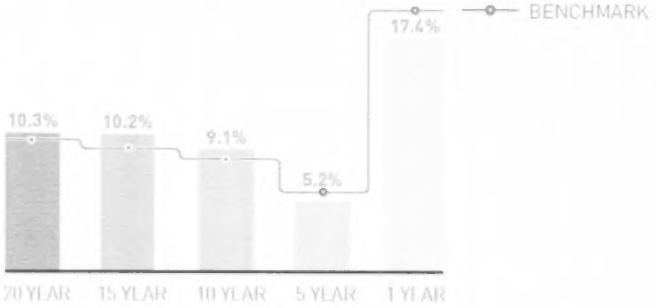
Performance of the active funds was mixed. Results from the Active U.S. Small Cap Equity Fund, the Active European Equity Fund, and the Active EAFE Equity Fund were strong. Our Active Emerging Markets Equity Fund underperformed, largely due to a poor fourth quarter where our Indian market holdings negatively impacted results. Our Active Global Equity Fund also struggled with a poor fourth quarter, while our Active Canadian Small Cap Equity Fund missed its benchmark. This was in the context of a more than 34 per cent gain for the year. Our Active Canadian Equity Fund underperformed by 2.1 percentage points.

LOOKING FORWARD We expect continued volatility in the equity markets over the next four years as mature economies address their debt and deficit issues, new economies balance inflation and growth, and the equity market cycle enters a downturn.

Indexed U.S. Equity Fund Performance
Annualized returns for the periods ending March 31, 2011



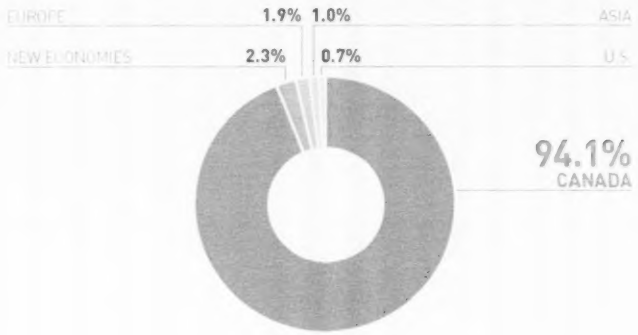
Active Canadian Equity Fund Performance
Annualized returns for the periods ending March 31, 2011



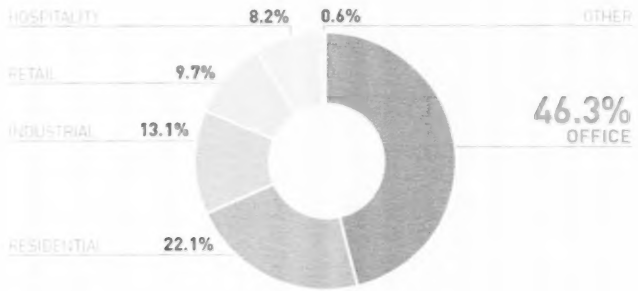
For full details, see **Pooled Fund Annualized Returns and Benchmarks** on page 22.

real estate

Regional Distribution of Real Estate Portfolio
as at March 31, 2011



Domestic Real Estate Assets by Property Type
as at March 31, 2011



With a portfolio of 57.3 million square feet of prime Canadian real estate, bcIMC continues to be one of Canada's major property owners.

OUR APPROACH We have investments in over $11.7 billion of institutional grade real estate, encompassing a Canadian portfolio of office, industrial, residential, retail, and hotels and an international portfolio of global funds, joint ventures, and direct investments. Both portfolios include interests in real estate management companies.

Our Canadian portfolio is designed to produce stable income returns and appreciate in value. Assets are diversified by type, location, size, and risk. We purchase existing buildings, improve older buildings, and develop new properties, following a responsible property investing approach. This involves building design and retrofits that are energy-efficient and environmentally and tenant friendly.

Our seven current development projects will add over 2.4 million square feet to our Canadian portfolio. Southcore Financial Centre, with two office towers and a Delta hotel in downtown Toronto, will be completed in 2014. Our development projects are well-leased and will provide strong long-term cash flows. For existing buildings, this year we negotiated more than 2.5 million square feet and renewed 3.5 million square feet of commercial leases.

bcIMC invests in properties when there is a reasonable expectation that our targeted returns can be achieved over a 10-year horizon. We acquired two new real estate assets this year, including the $850-million acquisition of Parkbridge Lifestyle Communities Inc., Canada's largest land-lease company. We divest assets when their value has been optimized and capital can be deployed elsewhere. More than $75 million was realized this year through the sale of Canadian investments.

Our international program enhances diversity and aims to deliver higher returns than the Canadian portfolio. Investments are structured either as limited partnerships or private companies. We implement a partial currency hedge for investments with exposure to the euro and U.S. dollar.

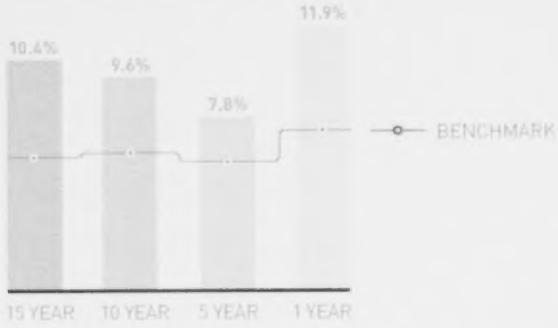
PERFORMANCE ANALYSIS Commercial real estate markets became more active in 2010. For many institutional investors, rising equity prices decreased their relative weightings to real estate, allowing them to pursue new acquisitions. However, the intensified competition made it challenging to find quality properties.

Our domestic portfolio performed solidly, returning 11.9 per cent. Stable income returns and respectable capital appreciation contributed to returns. Over the 15-year period, the portfolio exceeded its benchmark by 4.4 percentage points.

Global real estate continues to recover. Investors are focused on well-located, prime investments in markets with historically tight supply and ample liquidity. London, Paris, and New York were heavily sought after, and asset valuations increased despite continued slow rental growth. Lending favoured prime assets, but loan-to-value ratios declined from pre-recession highs while the cost of borrowing increased. As a result, our international program underperformed its benchmark by 2.7 percentage points. Longer term, we expect some recovery in pricing, but returns may be lower than initially underwritten.

LOOKING FORWARD bcIMC continues to monitor domestic and global trends to anticipate impacts on our portfolios and our tenants. Fundamentals such as rents and occupancy are improving in most Canadian cities, and the lack of available quality properties combined with strong investor demand may lead to higher valuations. A highly competitive market may make it difficult to acquire quality properties at attractive yields. New economies will expand at lower yet more sustainable growth rates. This, combined with a scarcity of prime properties, increasing interest rates, and tighter lending policies, will make for a challenging global real estate environment.

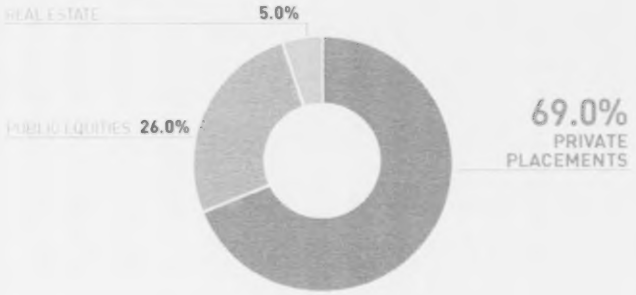
Domestic Realpool Fund Performance
Annualized returns for the periods ending March 31, 2011[1]



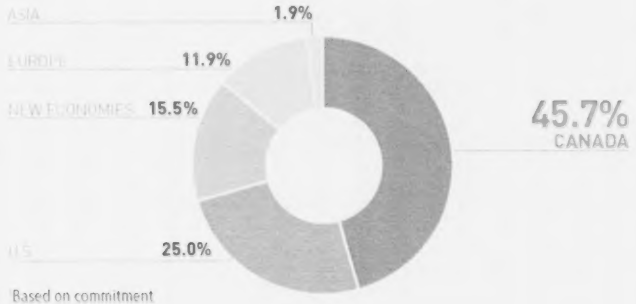
[1]For full details, see **Pooled Fund Annualized Returns and Benchmarks** on page 23.

strategic investments and infrastructure

Strategic Investments and Infrastructure Fund by Asset Class
as at March 31, 2011



Regional Distribution of Strategic Investments and Infrastructure Fund Portfolio
as at March 31, 2011



Based on commitment

bcIMC has built a $4.1-billion global portfolio of stable, cash-yielding assets and companies with significant tangible and long-lived assets.

OUR APPROACH Our Strategic Investments and Infrastructure Fund holds core infrastructure assets, oil and gas reserves, and timberlands. We focus on regulated and contracted assets such as electricity generation and transmission, water and wastewater services, and transportation. Investments are long-term, often extending beyond 20 years.

Investments consist of private and public equity positions and involve active participation by our Private Placements, Public Equity, and Real Estate departments. The private placements component seeks global opportunities and works with investment partners, including financial institutions, pension plans, wealth funds, companies operating within the infrastructure space, and external fund managers. The public equity aspect focuses on publicly-traded Canadian companies in the energy and materials, and transportation sectors. Timberlands are held through our real estate group. We invest directly and through externally managed fund investments.

This year we materially increased our ownership in Thames Water, U.K.'s largest water and wastewater company, and in Aquarion Water, a regulated utility in the eastern U.S.

PERFORMANCE ANALYSIS The private placement component continued to deliver above-benchmark performance on a one-year (2.6 percentage points) and multi-year basis. We experienced consistent and stable investment performance from our large utility companies, with solid growth from companies such as Corix and Dalrymple Bay Coal Terminal. Accommodative debt markets allowed many of our core private market utilities to refinance their credit facilities at attractive rates and terms.

Improved economic conditions and commodity pricing increased the valuations of many of our public equity holdings. An overweight position to companies within the energy and materials sector allowed

our Canadian Equity SIIF Fund to exceed its one-year benchmark by 12 percentage points. Over a five-year period, this fund has returned 3.6 per cent.

Weak global and local timber markets, combined with a stagnant demand from the U.S. housing sector, impacted returns. Despite increased demand from Japan, Korea, and China, timber exports remained depressed overall; the real estate component missed its one-year benchmark, returning 1.5 per cent.

LOOKING FORWARD Our private portfolio companies will continue to invest in their businesses to improve customer service and reliability. This allows us to deploy additional capital at attractive rates of returns in companies we know well. We will also focus on the growth of our platform companies and leverage their sector expertise in assessing new acquisitions and growth opportunities.

We believe our publicly-traded holdings offer attractive risk-return prospects over the medium to long term. The energy production and transport components will benefit from a growing demand for oil and natural gas. Increasing demand for commodities and food, combined with transportation needs, bode well for returns.

Ongoing challenges with U.S. housing will cause local timber markets to remain subdued in the short to mid term. However, increasing home ownership rates and the construction ahead of the 2014 FIFA World Cup and the 2016 Olympics in Brazil will contribute to strong demand and pricing in Brazil's timber market. This may benefit bcIMC's international timber investments.

The SIIF program's scale and diversity has a strong market presence and provides opportunities for future capital deployment. Global economic recovery will enable investing in new strategic assets. Tighter financing requirements may challenge the refinancing of highly leveraged infrastructure assets acquired prior to the credit crisis, bringing them to the market and providing opportunities to acquire quality infrastructure assets.

Strategic Investments and Infrastructure Fund Performance
Annualized returns[1]

[1]Strategic Investments and Infrastructure assets (with the exception of the public equities component) are illiquid in nature, and as such, they are valued annually at December 31. The illiquid asset returns are calculated as at December 31, 2010 using the Horizon Rate of Return methodology. SIIF public equity and benchmark returns are calculated using the Time Weighted Rate of Return methodology. SIIF public equity returns are calculated as at March 31, 2011. At the time of publishing the annual report, the returns for the illiquid assets are unaudited.

[1]For full details, see **Pooled Fund Annualized Returns and Benchmarks** on page 23.

REAL ASSETS **strategic investments** and **infrastructure** regulated utilities
commodities **partnerships** **REAL ESTATE** timberlands **ENERGY AND MATERIALS** PUBLIC EQUITY **ALTERNATIVE ENERGY**
refinancing cash flows **diversity** PRIVATE EQUITY **transportation** WATER AND WASTEWATER

Pillar Two: Risk Management

bcIMC's Risk Universe

The identification and management of risk is integral to bcIMC's fiduciary role in managing our clients' assets.

Our business involves risk management. Effective management of market, credit, environmental, legal, and operational risk underpins everything we do.

bcIMC believes that managing risk is as important as generating returns. While our clients expect to be compensated with higher returns for taking on additional market and credit risk, they are not rewarded for exposure to unanticipated environmental, legal, and operational risks. We take an enterprise-wide approach to risk management, addressing these risk factors in all areas of our operations.

bcIMC'S RISK FRAMEWORK At bcIMC, risk management – which includes identifying, mitigating, and reporting risks and applying best practices – is part of every staff member's job. The proactive recognition and assessment of risk, supported by honest and candid communication of risk, is central to bcIMC's processes.

Our Board and CEO/CIO monitor our strategic and reputational risk profile and ensure that the Enterprise-Wide Risk Management Framework functions effectively. The Board receives a quarterly report on bcIMC's enterprise-wide risks and an annual report on specific risk categories. The CEO/CIO establishes risk frameworks and receives regular reports on the implementation of risk management measures.

An internal Risk Management Committee reviews and discusses enterprise-wide risks quarterly. The Internal Audit function conducts systematic reviews of bcIMC's financial processes and procedures.

MANAGING RISKS Our Enterprise-Wide Risk Management Framework consists of five main risk categories: market, credit, environmental, legal, and operational. It also addresses strategic human resources risk, strategic information technology risk, and business continuity planning.

Investment management involves the management of **market risk**. We follow a long-established model that reflects conservative investment practices while ensuring that each level of risk is appropriate to each individual client and that the level of risk assumed corresponds with the expected return.

Credit risk addresses issues with credit concerns that we confront on a daily basis, such as individual securities, counterparties, and potential defaults. bcIMC's Credit Risk Framework guides the management of credit risk within fixed income, securities lending, and trading with approved broker/dealers and derivative counterparties. This year we enhanced our credit risk program by introducing notional ratings, which are internally produced credit ratings for companies. These are used in conjunction with external ratings and provide greater independence in investment decision making.

The value of our clients' assets may be affected by environmental-related events. We address **environmental risk** through our Environmental Risk Framework and implement separate protocols for environmental due diligence throughout our asset classes. For example, with real estate, environmental assessments are completed for all new developments and acquisitions while ongoing management programs ensure that environmental exposure at each property is addressed according to applicable legislation.

Legal risk involves potential impacts to bcIMC's contractual, statutory, and other rights. Our Legal Risk Framework is used to identify and assess specific legal risks and to develop mitigation measures for those risks. Individual policies, such as our confidentiality walls, insider trading, and anti-money laundering policies, address specific legal compliance risks.

Operational risk relates to bcIMC's practices and procedures. Our Operational Risk Framework ensures that our risk management practices and business continuity plan remain current and robust. Departments maintain risk registers that are reviewed with the CEO/CIO biannually. The Operations Review Committee meets monthly to manage change initiatives and assess the efficiency of processes.

bcIMC prepares a Section 5970 Report on Controls for the Investment System, providing clients with added assurance on our financial controls. This report, prepared in accordance with Canadian Institute of Chartered Accountants standards, details bcIMC's financial controls over the investment system, and is audited by our external auditors.

PROACTIVE RECOGNITION **risk management** continuous improvement **OPERATIONAL** reporting
STRATEGIC **ASSESSMENT** reducing unintended exposure MEASUREMENT **risk vs. return** BUSINESS CONTINUITY PLANNING
reputational RESPONSIBILITY **MITIGATION** managing complexity CREDIT environmental **LEGAL** framework MARKET

Pillar Three: Responsible Investing

Responsible investing involves considering the impact of environmental, social, and governance issues on the long-term investment performance of our clients' assets.

We believe that good environmental, social, and governance (ESG) practices enhance the competitive success and market value of a company or asset over the long-term. We adopt an active ownership approach, pursue responsible property investing, and collaborate with like-minded peers to promote specific policies and practices.

Our *Responsible Investing Vision, Values and Principles* underpins the application of responsible investing strategies across our organization. Integrating ESG factors into our research and investment management is an ongoing priority.

FIXED INCOME Corporate bonds are a key component of our portfolio, and we recognize that flawed corporate governance practices can adversely impact bondholders by exposing us to excessive or unforeseen credit risk. Assessing governance issues – including ownership, key person succession, board effectiveness, compensation, and disclosure – is integral to our credit risk analysis.

MORTGAGES When assessing mortgage applications, we favour projects with environmentally sound principles that match our clients' risk-return parameters. Our mortgages credit risk rating system, introduced in 2009, rewards these properties with a more attractive rating. Initially the system applied only to new mortgages; as of this year, it includes all mortgages. bcIMC has provided over $870 million in financing for projects with material "green" initiatives. LEED-certified projects account for over $490 million, with $320 million at the platinum level.

PUBLIC EQUITIES Our product range includes the U.S. Social Index Fund, which offers a U.S. equity investment that incorporates a best-in-class approach for selecting companies and excluding those involved in controversial activities. Over the long-term, we expect this socially responsible fund to provide similar returns to our other U.S. equity products. (See "Pooled Fund Annualized Returns and Benchmarks" on page 22 for details on returns.)

Proxy Voting Voting at the shareholder meetings of the thousands of publicly listed companies in our portfolio is a key active ownership tool. We vote at all North American company meetings and in many international markets, including this year for the first time in Poland, Chile, and Egypt. All votes are researched, recorded, and cast in-house in accordance with our *Corporate Governance Principles and Proxy Voting Guidelines* (available on our website). Our proxy voting records are posted to our website every quarter.

This year bcIMC voted at over 1,800 shareholder meetings in 36 countries and analyzed almost 7,000 resolutions. We opposed management resolutions about 36 per cent of the time, particularly on executive compensation. We supported 80 per cent of shareholder proposals, mostly for increased accountability.

Engagement We privately contact company management and directors to discuss perceived ESG risks to their business and efforts being made to mitigate these risks. Actions such as these may ultimately improve the company's economic value for shareholders such as our clients. We focus on climate change, human rights, and shareholder rights. Our *Shareholder Engagement Guidelines and Priorities* (available on our website) outlines why and how we communicate on these priority issues. This year we actively engaged with 270 companies, twice as many as last year.

bcIMC strives to build positive, lasting relationships with our portfolio companies. We are encouraging and patient when asking companies to address ESG concerns; however, if limited or no progress is made through engagement and dialogue, we explore other options.

In 2010, on behalf of our clients and together with several of our Canadian peers, bcIMC publicly opposed the terms under which Magna International Inc. and the Stronach Trust proposed to eliminate Magna's dual-class share structure. We saw these terms as detrimental to ordinary shareholders and Canadian corporate governance in general. In this belief, we pursued the matter through several avenues including the courts. Although we were disappointed that the transaction proceeded, we consider our action to be an important step towards improving corporate governance of Canadian companies.

Proxy Voting Activity by Region
for 2010–2011

Proxy Votes by Category
for 2010–2011

Issue	Number of Votes Cast
Board of Directors	1,920
Audit Process	1,803
Executive Compensation	1,278
Shareholder Rights	883
Capital Issues	757
Mergers, Acquisitions, and Takeover Protection	133
Social Responsibility	118
Environmental Responsibility	61

collaborative actions

Highlights in 2010–2011 include:

- speaking on an investor panel at the Principles for Responsible Investment annual conference, San Francisco
- contributing to *Environmental, Social and Governance (ESG) Issues in Institutional Investor Decision-making*, Canadian Institute of Chartered Accountants
- helping to convene the Investor Summit on Climate Risk conference, New York
- supporting the Extractive Industries Transparency Initiative, which sets a global standard for disclosure by oil, gas and mining companies
- contributing to *Guidance on Responsible Business in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors*, a UN Global Compact and UN PRI joint publication

For the first time we escalated our engagement to filing shareholder proposals. Our proposals asked that three companies adopt majority voting policies for board elections. Two of the three agreed to our recommendations, and we subsequently withdrew our proposals. Shareholders of the third company, European Goldfields, endorsed our proposal at its 2011 annual general meeting.

Collaboration Participating in peer organizations and professional associations allows us to have greater influence on ESG practices within companies and the industry. bcIMC has longstanding relationships with many organizations that seek to enhance ESG practices, including: Canadian Coalition for Good Governance, Investor Network on Climate Risk, Institutional Limited Partners Association, International Corporate Governance Network, Carbon Disclosure Project, Asian Corporate Governance Association, and the United Nations Environment Programme Finance Initiative.

bcIMC recently partnered with 13 leading global investors on a study led by Mercer LLC to research the potential impacts of climate change on portfolios and long-term investment strategy.

REAL ESTATE We incorporate responsible property investing practices to enhance the value of our portfolio. By implementing proven technologies, we can lessen the environmental impact of our buildings and attract tenants. This is done through responsible building design and retrofits, and working with our external managers and stakeholders to reduce the environmental footprint of our properties. This year Meadowvale North Business Park in Mississauga achieved zero waste – meaning at least 90 per cent of waste was diverted from landfill. Resources saved include 4,300 trees, 6.7 million litres of water, and 1.4 million kWh of energy.

Since 2007, bcIMC has measured and reported on our portfolios' greenhouse gas emissions using Greenhouse Gas Protocol standards as a guide. This year our office portfolio emissions intensity decreased from baseline by 0.8 tCO_2e per 1,000 square feet – the equivalent of taking 2,300 cars off the road for a year.[1] Our residential portfolio emissions intensity decreased by 0.7 tCO_2e per 1,000 square feet – equal to 70,000 tree seedlings growing for 10 years. Even though both portfolios are expanding, initiatives such as energy retrofits, innovative technologies, and awareness programs are helping to reduce emissions.

[1] tCO_2e = tonnes of CO_2 equivalent, a measure of greenhouse gas contribution to global warming. Intensity levels indicate consumption or emissions divided by square footage of the property portfolio.

PRIVATE PLACEMENTS Over $100 million of our investments, directly or through private equity funds, involve the generation of renewable power from biomass, solar, wind, hydroelectric, or geothermal sources.

We continue to broaden our commitment to high standards of corporate governance and ESG practices within our portfolio companies. In 2009 we endorsed the Institutional Limited Partners Association's *Private Equity Principles*, which provides a framework for governance and transparency. We appoint prominent individuals from the business community to represent our interests on the various boards of companies in which we have equity interests; bcIMC staff also serve as directors.

We are proud of our portfolio companies such as Thames Water Utilities Limited, which achieved platinum status in the Business in the Community's Corporate Responsibility Index, a highly regarded U.K. benchmark of a company's positive impacts on society and the environment.

BENCHMARKING OUR RESPONSIBLE INVESTING PERFORMANCE bcIMC is among the founding signatories to the United Nations Principles for Responsible Investment. Signatories participate in an annual survey of their progress towards achieving the principles. bcIMC scored above the median of our global peers in the latest survey (2009). We achieved first quartile results for our efforts in governance, policy and strategy, and the promotion and implementation of the principles.

responsible property investing

102 tonnes less waste sent to landfills by recycling, composting, and reduction strategies

65.8 per cent of income-producing property within our portfolio is certified

350 million litres of water saved through controlled irrigation, rainwater collection, alternative landscaping, and similar initiatives

2 of our properties received the **2010 BOMA Earth Award** for excellence in environmentally sound building management – Commerce Court, Toronto, and Cloverdale Mall, Toronto.

Measurements encompass all bcIMC-owned buildings managed by Bentall Kennedy and GWL Realty Advisors.
Includes LEED, BOMA BEST and Hotel Association of Canada Green Key programs.

collaboration ADVOCACY **responsible investing** **environment** CORPORATE GOVERNANCE **proxy voting**
GREEN MORTGAGES human rights **energy efficiency** ENGAGEMENT **social** PRINCIPLES FOR RESPONSIBLE INVESTING
sustainable ENHANCING LONG-TERM PERFORMANCE shareholder rights **RESPONSIBLE PROPERTY INVESTING**

Pillar Four: Client Services

our portfolio of services

- Investment Management
- Investment Consulting
- Investment Management Administration
- Risk Management
- Corporate Engagement
- Investment Education

We work closely with clients to ensure their investment strategies align with their risk and return objectives.

OUR APPROACH bcIMC upholds our fiduciary obligation to work in the best financial interests of our clients who have chosen to entrust us with their capital. We view our relationship with our clients as a long-term partnership – whether in managing pension funds on behalf of plan beneficiaries, growing operating capital for insurance funds, or generating income for trust funds.

We strive for a client-focused approach throughout bcIMC, recognizing that clients' needs extend beyond putting capital to work. Our Consulting and Client Services department provides a single point of contact for clients while calling upon our investment professionals' involvement when required.

Tailoring services to clients' specific needs, our team assists with developing investment strategies that include investment objectives, risk appetite, investment beliefs, appropriate pooled fund participation and prudent restrictions. Once these strategies are in place, we provide a range of services customized to the client's specific needs. Services include investment education, investment consulting and policy advice, pooled fund products, risk management, compliance monitoring, corporate engagement, cash management, and reporting.

CLIENT TRENDS As the global economy continued to recover, clients were interested in the effect on investment returns. We provided regular updates on market conditions, economic trends, portfolio performance, and recent developments that may impact their respective funds. We assisted our clients with their B.C. Public Sector Pension Conference by coordinating speakers on topics that included lessons from the global financial crisis, renewable resources, and new market prospects.

We continued to assist clients transition their assets to our global investment strategy, and worked to enhance their understanding of implications for their portfolios. As we move forward, increased

exposure to global equities, new economies, and real assets will benefit clients in meeting their long-term investment objectives. Responsible investing remains an area of interest for many clients and their stakeholders. We communicate with clients on a range of environmental, social, and governance-related issues, and clients receive quarterly reports on our responsible investing activities.

ENHANCING OUR SERVICE Trust is a critical part of investment management, and bcIMC continually looks for ways to improve and enhance our clients' service experience.

We met with clients on 116 occasions to keep them informed on a variety of topics raised either by clients or by bcIMC. We frequently involved our investment professionals in these meetings, allowing clients to get to know the people who are directly responsible for managing specific assets. This interaction also enables our staff to deepen their knowledge and understanding of our clients and their needs.

We streamlined our reporting processes, saving on average between five and 10 days in the performance cycle. We also revised other key client reports to make them more user-friendly and more closely aligned with bcIMC's business plan objectives.

Our Consulting and Client Services department grew with the addition of investment consulting expertise and a new client consultant, bringing our team to 16. New client service consultants undergo extensive training to familiarize themselves with clients' investment objectives and servicing requirements, as well as our products and investment management services.

The expansion allows us to assist clients at a higher level by determining the appropriate strategic asset allocation for their funds through asset-liability studies, while also supporting strategic projects related to long-term asset allocation.

LOOKING FORWARD bcIMC will continue to place clients at the forefront of our activities. This includes enhancing our reporting on responsible investing initiatives, continuing to advocate for clients' interests, and monitoring potential implications of pension reforms and relevant trends.

Pillar Five: Building bcIMC

Building a results-oriented, knowledgeable team and using optimum support systems while operating at a reasonable cost enables bcIMC to deliver the best returns possible for our clients.

FOCUSING ON OUR PEOPLE We are a high-calibre and culturally diverse team of 170 people from a variety of professions and backgrounds, including investment, business, economic, information technology, accounting, legal, and administration. This diversity provides bcIMC with the talent and experience to deliver the returns our clients expect within a competitive and challenging environment.

With the ever-increasing sophistication of the capital markets and the rising complexity of our clients' mandates, we continue to expand and deepen our team's skill set by focusing on global trends, investment research, and asset management.

Our approach is two-fold: first, to strengthen and deepen the existing team through training and development initiatives, and second, to attract new expertise.

Enhancing Knowledge and Capability Expanding the breadth and depth of our team remains a priority. To focus our efforts, this year we completed an internal competency and skills inventory for all staff. The insights gained from this exercise have allowed us to develop individual training plans for employees. Common competencies crucial to bcIMC were identified and addressed through numerous onsite training courses and workshops. Topics included advanced computing skills, time management, critical thinking, communication, coaching, and team building.

We expanded our corporate apprenticeship program by opening it to internal and external applicants. Over a 12-month period, under the guidance of experienced investment professionals, the apprentices work in different asset classes and investment support functions to gain an in-depth understanding of investment processes, client mandates, and the interrelationship between departments.

This year we launched bcIMC U, a program designed to introduce staff to external thought leaders and speakers on strategic issues and long-term trends relevant to global investing. Topics slated for the new fiscal year include the Asian economy and resource scarcity.

Our ongoing leadership development and training initiative ensures that we focus on bcIMC's future leadership requirements. This includes the bcIMC Board's annual review of our succession plan for executive management. We continue to provide on- and off-site opportunities to selected staff, such as leadership and director education programs. We also support individuals in pursuing professional designations. At any given time, a number of our staff are working towards their investment, accounting, information technology, and other related designations.

Expanding the Team bcIMC competes in a global investment market for talented people. To be successful, we use active recruitment methods to market our inherent strengths – which include our emphasis on responsible investing and our desirable location. During the year, we added 10 new positions. We build our team through a combination of a grow-our-own strategy with existing staff, complemented with external recruitment of specialized skills.

Our primary focus this year was building our in-house Capital Markets Research Group to support our investment processes with strategic, thematic, and company analysis. Going forward, the research team will assist our in-house asset management and increase the value for clients. Our research team contributes specialist expertise in sectors that include financials, energy, commodities, and technology.

The bcIMC Culture bcIMC's culture is underpinned by our corporate values: respect, integrity, honesty, and trust. We strive for a client-focused, outcome-driven, inclusive, team-oriented environment.

We take pride in investing on behalf of the pension funds of over 475,000 British Columbians and in bcIMC's reputation as a responsible investor. Our staff are active members of bodies including the CFA Institute, Institute of Corporate Directors, Pension Investment Association of Canada (PIAC), International Society of Certified Employee Benefits Specialists, Pacific Pension Institute, and Canadian Association for Business Economics. This year Mary Spurr, our Manager of External Managers, received the PIAC Terry Staples Volunteer of the Year Award for distinction in volunteerism.

bcIMC staff are strong supporters of the United Way of Greater Victoria, raising over $63,000 in 2010. Our campaign was a contender for the Naden Band Spirit of Excellence Award. Staff also support the local Burnside Gorge Community Association through the annual holiday hamper program, and

our **values**

respect

integrity

honesty

trust

measuring our footprint

This year we undertook a corporate project to measure and assess the carbon emissions produced by our operations in 2010. We established a baseline that includes building occupancy energy consumption, business travel, paper usage, and in-office waste.

With initiatives already in place to reduce bcIMC's carbon footprint – such as specific tenant improvements, recycling programs, and energy usage controls – and by purchasing carbon credits, we met a voluntary commitment to be carbon neutral in our operations. bcIMC continues to offset the carbon emissions associated with the production of our annual report.

proceeds from our in-office recycling program support youth activities at the Blanshard Community Association. Staff also participate in the Canadian Blood Services Partners for Life program.

INVESTING IN TECHNOLOGY As the competition for investments increases and becomes more global in nature, information systems play a critical role in providing timely information and tracking trends that enhance investment analysis, performance management, and risk measurement while also maintaining client needs.

We continued to focus on investing in technology initiatives that have the potential to increase returns, deliver more timely business intelligence, and support the creation of new investment products. We enhanced systems and support for more complex global investment applications, automated risk tools and systems, and implemented industry-standard solutions. We also enriched the content and reporting capabilities of our research platform with an emphasis on supporting our in-house active equity mandate scheduled for the coming year.

We use technology to optimize operations, automate procedures, and reduce unnecessary complexity. By automating complex business processes such as pre-trade compliance, mortgage cash flows, and internal rate of return calculations, we were able to reduce production time and increase accuracy. We also established an eight-station onsite training room and enhanced our client and performance reporting systems.

Looking forward, we will continue to review and optimize business processes to streamline and enhance operational efficiencies. Expanding the research platform technology remains a priority. Ongoing improvements to the network and infrastructure will help ensure the performance and reliability required to achieve our corporate goals.

REASONABLE OPERATING COSTS bcIMC operates on a cost-recovery basis, and we aim to deliver investment management services at a reasonable cost. This is possible partly through the economies of scale offered by managing $86.9 billion; pooling clients' assets also permits us to charge lower fees than our peer group. Cost advantages also arise from internally managing 61 per cent of assets.

Our fee structure relates to the types of assets under management and the proportion of clients' assets managed by external professionals. Changes to a client's asset mix and investment strategy

could alter our costs and the client's fees. Operating costs were $149.0 million (2009–2010: $127.7 million) or 18.0 cents (2009–2010: 16.2 cents) per $100 of assets under administration.

This year we reviewed our minimum fee policy to ensure the continued application of an equitable fee system for all clients. Where appropriate, adjustments to the client fee structure come into effect in the new fiscal year.

INTERNATIONAL FINANCIAL REPORTING STANDARDS bcIMC continues to prepare for the adoption of the International Financial Reporting Standards (IFRS) for our corporate and pooled fund financial statements. We monitor the International Accounting Standards Board for recommended changes. Management regularly updates the Audit Committee on IFRS-related issues.

bcIMC's corporate financial statements for fiscal 2012 will be prepared in accordance with IFRS. Pro forma IFRS financial statements and notes were presented to the Board as part of our readiness plan for the changeover.

The International Accounting Standards Board has deferred the transition to IFRS for investment companies to 2013. bcIMC's investment pools qualify in this category and therefore will not be adopting IFRS until 2013. Management and the Board remain confident that we are ready for the transition to IFRS-compliant pooled fund financial statements in 2013.

information management **building bcIMC** leadership CORPORATE VALUES TEAM collaboration
PEOPLE **reducing complexity** COST-EFFECTIVENESS **TRAINING** partnerships **innovative systems** OPTIMIZATION **connectivity**
succession **professional** VISION **performance** FULLY INTEGRATED **new technologies** PROCESS **financial reporting**

Our **Board of Directors**

COMPOSITION OF THE BOARD The *Public Sector Pension Plans Act* (the Act) requires our Board to have seven directors as follows:

- One director appointed by the College Pension Board from among its members
- One director appointed by the Municipal Pension Board from among its members
- One director appointed by the Public Service Pension Board from among its members
- One director appointed by the Teachers' Pension Board from among its members
- Two directors, representative of other clients, appointed by B.C.'s Minister of Finance
- One other director appointed by B.C.'s Minister of Finance and designated to be the Chair of the Board.

These nominating bodies are aware of our criteria relating to the knowledge, experience, and skill set we look for in bcIMC directors. These criteria are disclosed on our website.

BOARD INDEPENDENCE All directors and the Board Chair are non-executive directors and independent of management.

SID FATTEDAD Vancouver, British Columbia

Now retired, Sid was the Chief Financial Officer for WorkSafeBC for 14 years until December 2007. Prior to that appointment, he was the Senior Vice President of Customer Service for Canadian Airlines International. Sid is a Fellow of the Certified General Accountants Association of Canada and a recipient of the association's prestigious John Leslie award for exemplary public service. He is also a recipient of the Canada 125 Award for outstanding service to Canada. Sid holds a Certificate of Director Education from the National Association of Corporate Directors.

bcIMC Board and Committee Appointments		2010–2011 Attendance	
Director since November 1, 1999 Current term to April 30, 2011 Appointed by B.C.'s Minister of Finance Independent	Chair, bcIMC Board of Directors (2007–present)	5/5	100%
	Guest, Audit Committee	1/1	100%
	Guest, Human Resources and Compensation Committee	4/4	100%
	Member, Audit Committee (2000–2002)	–	–
	Member, Human Resources and Compensation Committee (2003–2007)	–	–

bcIMC Director Remuneration 2010–2011	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
	$25,000	$4,750	–	$2,750*	$32,500

Other Board Directorships/ Trusteeships During the Last Five Years	Term	Committee Appointments	Board Chair Positions & Term	
Coast Mountain Bus Company	2005–present	–	Y	2005–present
Industrial Alliance Pacific	2007–present	Audit Committee (Chair) Conduct Review Committee	N	–
Terminal City Club of Vancouver	2001–present	–	Y	2010
WCB Superannuation Plan (Trustee)	1994–2007	–	Y	2000–2007

** Sid declined remuneration for the Audit Committee meeting attended as a guest*

JOAN AXFORD Victoria, British Columbia

Joan is Secretary-Treasurer for School District No. 63 (Saanich) and has been involved in public education since 1983. This included work with school districts and the Ministry of Education, and serving as President of the B.C. Association of School Business Officials in 2002–2003. Joan is the 2005 recipient of the Larry Ozero Leadership Award for leadership in school district corporate and business administration. She is a professional accountant and holds a CMA designation. Joan is currently Chair of the Teachers' Pension Plan.

bcIMC Board and Committee Appointments		2010–2011 Attendance	
Director since November 1, 1999 Current term to December 31, 2011 Appointed by the Teachers' Pension Board of Trustees Independent	Director, bcIMC Board of Directors	5/5	100%
	Chair, Human Resources and Compensation Committee (2002–present)	9/9	100%
	Guest, Audit Committee	1/1	100%
	Member, Audit Committee (2000–2002)	–	–

bcIMC Director Remuneration 2010–2011	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
Remuneration is paid to School District No. 63 (Saanich)	$12,500	$4,750	$4,000	$6,000	$27,250

Other Board Directorships/ Trusteeships During the Last Five Years	Term	Committee Appointments	Board Chair Positions & Term	
Teachers' Pension Plan (Trustee)	1999–present	Benefits and Communications Committee (Chair)	Y	2010–present

FRANK LEONARD Saanich, British Columbia

Frank is the Mayor of the District of Saanich, an office he has held since his election in 1996. Prior to his election, Frank managed three Victoria Tire Ltd. stores in Greater Victoria. He has served as the President of the Greater Victoria Chamber of Commerce, and as a director of Tourism Victoria, and also the Greater Victoria Economic Development Commission. Frank is currently a part-time business management instructor at the University of Victoria and was an MBA advisor at Royal Roads University. He holds a B.A. (Honours) and a M.A. from the University of Victoria.

bcIMC Board and Committee Appointments		2010–2011 Attendance	
Director since January 1, 2007 Current term to December 31, 2012 Appointed by the Municipal Pension Board of Trustees Independent	Director, bcIMC Board of Directors	5/5	100%
	Chair, Audit Committee (2007–present)	4/4	100%
	Guest, Human Resources and Compensation Committee	6/6	100%

bcIMC Director Remuneration 2010–2011	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
	$12,500	$4,750	$5,000	$7,000	$29,250

Other Board Directorships/ Trusteeships During the Last Five Years	Term	Committee Appointments	Board Chair Positions & Term	
Capital Regional District and Capital Regional Hospital District	1987–present	–	Y	1990–1995
Federation of Canadian Municipalities	2006–2010	Community Safety Committee Finance and Infrastructure Committee	N	2007–2010 (B.C. Caucus Chair)
F.V. Leonard Holdings	1972–present	–	N	–
Municipal Finance Authority	2000–present	Finance and Administration Committee	Y	2000–present
Municipal Pension Plan (Trustee)	2002–present	Benefits Committee Employer Eligibility Committee Investment Committee Valuation Committee	N	–
Saanich Police Board	1996–present	–	Y	1996–present
Victoria Regional Transit Commission	1989–1991 1996–present	–	N	–
Victoria Tire Ltd	1974–present	–	N	–

ANNE LIPPERT Vancouver, British Columbia

Anne is Principal of Anne Lippert Consulting and Vice President of Lippert Investments Ltd. She retired from the Royal Bank in 1999 where she was Vice President, Strategic Initiatives, British Columbia & Yukon, and also responsible for the management of the Royal Bank Financial Group Foundation Committee. Anne consults on corporate social responsibility, corporate governance, and revenue and development strategies for not-for-profits. Anne is a recipient of numerous business and leadership awards, including the 2004 Leadership Vancouver Award.

bcIMC Board and Committee Appointments		2010–2011 Attendance	
Director since October 15, 2007 Current term to December 31, 2012 Appointed by B.C.'s Minister of Finance Independent	Director, bcIMC Board of Directors	5/5	100%
	Member, Human Resources and Compensation Committee (2007–present)	9/9	100%
	Guest, Audit Committee	1/1	100%

bcIMC Director Remuneration 2010–2011	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
	$12,500	$4,750	–	$6,000	$23,250

Other Board Directorships/ Trusteeships During the Last Five Years	Term	Committee Appointments	Board Chair Positions & Term	
Bill Reid Foundation	1999–present	Finance Committee (Chair)	N	–
KCTS Channel 9 Advisory Board	1995–2010	Nominations Committee	Y*	2001–2010
Langara College, Board of Governors	2008–present	Audit Committee Board Coordinating Committee Human Resources Committee Nominations Committee	N	–
Pacific Carbon Trust	2011–present	–	N	–
Pacific Coast Public Television	2006–2010	Development Committee	N	–
Post-Secondary Employers' Association	2010–present	Members' Board Compensation Committee	N	–
Rotary Club of Vancouver	2010–present	World Community Service Committee (Chair)	N	–
Salvation Army Advisory Board	Life member	Hope in the City Committee	N	–
Salvation Army Kate Booth House	2003–present	–	Y	2003–present

** Anne serves as the Canadian Vice Chair of this Seattle-based organization*

RICK MAHLER Vancouver, British Columbia

Now retired, Rick was Executive Vice President and Chief Financial Officer of Finning International for 13 years. He is Chair of Sterling Shoes and a director of Ten Peaks Coffee, and was Chair of Partnerships BC from 2003–2010. Volunteer activities include serving as Chair of both the Simon Fraser University and University of Waterloo Co-op Advisory Councils, and as Vice-Chair of the Vancouver Board of Trade. The recipient of awards including the Queen's Golden Jubilee Medal for Distinguished Service, he holds a B.Sc. from the University of Waterloo and an MBA (Finance) from McMaster University.

bcIMC Board and Committee Appointments		2010–2011 Attendance	
Director since December 31, 2010 Current term to December 31, 2012 Appointed by B.C.'s Minister of Finance Independent	Director, bcIMC Board of Directors	1/2	50%
	Guest, Human Resources and Compensation Committee	1/1	100%

bcIMC Director Remuneration 2010–2011	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
	$3,750	$2,250*	–	$750	$6,750

Other Board Directorships/ Trusteeships During the Last Five Years	Term	Committee Appointments	Board Chair Positions & Term	
Fording Canadian Coal Trust	2003–2008	Audit Committee Human Resources and Governance Committee (Chair)	N	–
Partnerships BC	2003–2010	–	Y	2003–2010
Sterling Shoes Inc.	2005–present	Audit Committee Human Resources Committee	Y	2005–present
Ten Peaks Coffee Co.	2004–present	Audit Committee (Chair)	N	–
VGH and UBC Hospital Foundation	2003–present	Audit Committee (Chair)	Y	2007–2010

** Includes director orientation*

RON McEACHERN North Saanich, British Columbia

Ron has worked in human resources and labour relations for over 30 years. Prior to retiring in 2005, he was an Associate Deputy Minister of Employee Relations in the B.C. Public Service Agency. Ron holds a B.Sc. from the University of Victoria and has completed several certificate courses with International Foundation of Employee Benefit Plans in the Advanced Trustee Management Standards Program.

bcIMC Board and Committee Appointments		2010–2011 Attendance	
Director since April 1, 2007 Current term to March 31, 2013 Appointed by the Public Service Pension Board of Trustees Independent	Director, bcIMC Board of Directors	5/5	100%
	Member, Human Resources and Compensation Committee (2007–present)	9/9	100%

bcIMC Director Remuneration 2010–2011	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
	$12,500	$4,750	–	$5,500	$22,750

Other Board Directorships/ Trusteeships During the Last Five Years	Term	Committee Appointments	Board Chair Positions & Term	
British Columbia Pension Corporation	2008–present	Human Resources Committee (Chair)	N	–
Public Service Pension Board (Trustee)	2002–present	Benefits and Communication Committee Communications Subcommittee Litigation Committee	Y	2011–present
Ron E. McEachern & Associates Ltd.	2004–present	–	Y	2004–present

JOHN WILSON New Westminster, British Columbia

John is an instructor at the School of Business, Capilano University. Previously, he was a general practice manager and computer audit specialist with Coopers & Lybrand and was one of Canada's early Certified Information Systems Auditors. John is President of Capilano University's Faculty Association and has been its Chief Negotiator and Chief Steward. He has been active in pension matters for over 20 years and is involved in provincial pension issues on behalf of the Federation of Post Secondary Educators of B.C. John is a Chartered Accountant and has the ICD.D certification.

bcIMC Board and Committee Appointments		2010–2011 Attendance	
Director since September 1, 2005 Current term to August 31, 2013 Appointed by the College Pension Board of Trustees Independent	Director, bcIMC Board of Directors	5/5	100%
	Member, Audit Committee (2005–present)	4/4	100%
	Guest, Human Resources and Compensation Committee	9/9	100%

bcIMC Director Remuneration 2010–2011	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
Remuneration is paid to the Federation of Post-Secondary Educators of B.C.	$12,500	$4,750	–	$8,500	$25,750

Other Board Directorships/ Trusteeships During the Last Five Years	Term	Committee Appointments	Board Chair Positions & Term	
Capilano University Faculty Association	1986–present	Bargaining Committee Executive Committee Joint Standing Committee	Y	2006–2007 2008–2010
College Pension Plan (Trustee)	2000–present	Benefits Committee Communications Committee (Past Chair) Interplan Audit Committee (Chair) Interplan Succession Committee (Past member) Litigation Committee (Past member)	N	–
Federation of Post-Secondary Educators of B.C.	2006–2007 2008–2011	President's Council	N	–
iGEN Knowledge Solutions	2000–2008	–	N	–
Shiloh-Sixth Avenue United Church	2007–present	Board of Trustees	N	–

Our **Corporate Governance**

The Board of Directors is responsible for ensuring bcIMC has in place appropriate controls and accountabilities, and provides quality service to clients.

GOVERNANCE FRAMEWORK bcIMC was established by the *Public Sector Pension Plans Act* (the Act). In accordance with the Act, the Board oversees bcIMC's operations, reviews and monitors the CEO/CIO's performance, and ensures proper reporting and accountability to our clients.

The Board is also required to approve pooled fund investment policies, to select and establish the remuneration of our CEO/CIO and auditors, to approve the business plan and annual budget, and to establish an employee classification system and compensation scale. The bcIMC Board mandate clarifies the Board's duties and responsibilities.

Investment professionals under the supervision of the CEO/CIO make all investment decisions within the framework of the policies approved by the Board and established by bcIMC's clients.

Our Board of Directors, from the left: Anne Lippert, Ron McEachern, Frank Leonard, Sid Fattedad, Joan Axford, Rick Mahler, and John Wilson

ROLE AND ACCOUNTABILITY OF THE CHIEF INVESTMENT OFFICER The Act defines the Chief Investment Officer as the Chief Executive Officer with responsibility for bcIMC's day-to-day operations. The CEO/CIO is accountable to the Board for the efficiency and effectiveness of the corporation in carrying out its mandate. The CEO/CIO is also responsible to each client regarding their individual investment policy, asset mix policy, and performance.

Among other responsibilities, the CEO/CIO hires staff and external managers, prepares the annual business plan and budget, and establishes policies and procedures to meet operational objectives. The CEO/CIO ensures that risk and returns are managed in a prudent and appropriate fashion consistent with client instructions and recommends changes in investment strategies to clients.

BOARD ACTIVITY AND COMMITTEES The Board meets on a quarterly basis. Meetings are scheduled in advance. Additional meetings are arranged when issues arise that require immediate Board attention. The Board has two standing committees:

- The Audit Committee, consisting of three directors, meets at least three times a year and oversees bcIMC's audit programs, financial management controls, and financial reporting.
- The Human Resource and Compensation Committee, consisting of three directors, meets at least twice a year and reviews matters relating to human resource strategies, compensation philosophy, succession management, performance incentive plans, and employee classification systems.

The CEO/CIO attends all Board and Committee meetings (although the CEO/CIO cannot be a director).

DIRECTOR ATTENDANCE During the 2010–2011 year, the Board met on five occasions, the Audit Committee on four occasions, and the Human Resources and Compensation Committee on nine occasions. Directors who are not members of a committee may attend meetings of that committee.

There was 100 per cent attendance for most of the 2010–2011 meetings. Attendance details for individual directors are provided in the director profiles on pages 48 to 51. Joanne McLeod, who left the Board in December 2010, attended 100 per cent of the Board and Audit Committee meetings during her tenure.

DIRECTOR ORIENTATION bcIMC maintains an orientation program for new directors. Each new director receives a briefing on the Board's functions and responsibilities and bcIMC's business plan, budget, organizational structure, human resources policies, and risk management programs, as well as the Board Recovery Plan and details on key operational functions. The orientation is conducted by the CEO/CIO and senior management staff.

During the year, the Board approved a policy formalizing the approach to director orientation.

DIRECTOR CODE OF CONDUCT The *Director Code of Conduct* outlines the minimum standard of conduct required of all directors. Directors must make timely disclosure of any direct or indirect interest, material or not, in any proposed or completed bcIMC contract, transaction, or investment. Directors must also abstain from voting on matters in which they have a personal interest.

The Board reviews the *Director Code of Conduct* periodically and recently approved amendments. A copy of the *Director Code of Conduct* is available on the bcIMC website.

BOARD EVALUATION AND ASSESSMENT Each year the directors complete a Board self-evaluation process that is designed to enable the directors to assess the effectiveness of the Board in key areas and to elicit suggestions for improvement. The Board discusses the results and identifies areas that require additional or new emphasis. The Chair of the bcIMC Board administers the process.

CONTINUING DIRECTOR EDUCATION bcIMC budgets an amount to enable directors to benefit from a combination of courses and conferences offered by external parties. Directors also benefit from guest speakers at Board meetings.

While directors take personal responsibility for selecting educational opportunities, they are encouraged to enroll in professional development courses and to participate in industry-related conferences or seminars.

DIRECTOR REMUNERATION The Act provides that bcIMC may pay directors remuneration for their service on the Board and its Committees that is consistent with the Province of British Columbia's Treasury Board guidelines. If a director already receives remuneration for bcIMC Board or Committee service, such fees are paid to the director's employer. New director remuneration levels (detailed below) were approved by the Board and became effective in October 2011.

Position	Annual Retainer	Per Diem
Board Chair	$30,000	$750
Director	$15,000	$750
Audit Committee Chair	$5,000	$750
Human Resources and Compensation Committee Chair	$3,000	$750
Committee Member	–	$750

Total remuneration for the bcIMC Board in 2010–2011 was $184,250 (2009–2010: $128,500). Remuneration details for individual directors are included in the director profiles on pages 48 to 51. Remuneration for Joanne McLeod, who left the Board in December 2010, was $16,750.

Compensation Discussion and Analysis

In our highly specialized industry, we compete globally for investment-related and management professionals.

bcIMC seeks to recruit and retain talented and motivated staff who have the skills and expertise to provide leadership in investment management and business-related functions. We provide rewarding work opportunities, support continued professional development, and pay competitive base salaries.

HRCC MANDATE The Human Resources and Compensation Committee (HRCC) assists the Board in ensuring that bcIMC retains a highly effective workforce and that human resource practices continue to align employee performance with client expectations. The HRCC monitors and makes recommendations to the Board on the following matters:

- trends and external market practices regarding compensation, benefits, and terms and conditions of employment
- oversight of risks associated with human resources activities
- employee Code of Conduct provisions
- bcIMC's job classification system and compensation scale
- comparators and competitive positioning of compensation
- bcIMC's performance incentive plans
- salary and performance-related matters for the CEO/CIO
- bcIMC's succession management plan and associated activities
- professional development and training strategies
- new human resource strategies and supporting policies.

The HRCC consists of three directors with diverse backgrounds and experience in business and human resource matters. Members are appointed by the Board and are independent of management.

Although the CEO/CIO and Vice President, Human Resources participate in discussions, they are not members of the committee. The HRCC meets at least twice a year. In 2010–2011, the committee met on nine occasions, which included three *in camera* sessions.

COMPENSATION CONSULTANTS AND EXTERNAL SOURCES bcIMC's compensation philosophy and structure is regularly reviewed. Base salaries are assessed on an annual basis to ensure compliance with the compensation philosophy. Each year, relevant data from the Towers Perrin Investment Management Compensation Survey and the Mercer Investment Management Compensation Survey is made available to the HRCC. This information is used in annual compensation decisions to ensure that base salaries continuously reflect the stated compensation philosophy.

In-depth reviews are conducted every three years, with 2010–2011 being the most recent. Independent compensation consultants are engaged to advise on the design and benchmarking of compensation practices and levels against a representative comparator group of institutional investment funds within Canada. This year the Board retained Hugessen Consulting Inc. to assist with reviewing the compensation philosophy and structure, and analyzing the pay-for-performance linkages.

Although the Board concluded the compensation philosophy and structure to be appropriate, some minor adjustments were made to investment roles effective 2011–2012. This includes a modest increased pay-for-performance opportunity for investment professionals and the introduction of a third job stream, defined as investment decision and product support, to acknowledge the expertise required for certain investment support roles.

COMPENSATION PHILOSOPHY AND STRUCTURE The Board's compensation philosophy is to pay median base salary levels complemented by performance incentive plans that align staff interests with clients while also discouraging undue risk-taking.

Our compensation structure for executive management includes a base salary, benefits, and performance-based remuneration through an annual incentive plan (AIP) and a long-term incentive plan (LTIP). As a statutory corporation with one share with a par value of $10, bcIMC does not issue share options to our staff.

- Base Salary: Staff salaries, including executive management, are guided by the Board's compensation philosophy to pay salaries based on the median of other large in-house Canadian public pension funds. For non-investment roles, defined as core services, the comparator group is expanded to include relevant public and private sector employers within British Columbia. As a result of the triennial review of the compensation philosophy and structure, the comparator group for certain core services and the investment decision and product support roles will include relevant private and public sector employers from the western-most provinces of Canada.
- Benefits: Employment benefits include bcIMC's funded health and welfare coverage such as medical, dental, extended health, health savings account, and life insurance coverage. bcIMC also pays employer contributions to the Public Service Pension Plan (a defined benefit pension plan) and legislated benefits such as Canada Pension Plan, Employment Insurance, and Worker's Compensation on behalf of our staff. Wage loss protection for permanent staff is provided through a short-term illness and injury plan as well as a long-term disability plan.
- Annual Incentive Plan: All permanent employees are eligible to participate in the AIP, which is designed to align employee performance with the achievement of client-driven investment and business objectives. AIP payments are calculated as a percentage of salary, weighted to reflect the role and impact the position has on corporate results. The payments reflect the:
  - overall investment performance measured against industry or client-approved benchmarks
  - department's role in attaining investment returns and contributing to business objectives such as risk management and client service
  - individual's contribution to defined results.

  Three value drivers are used to rate performance:
  - Driver 1: Total Fund Performance – to align overall investment performance with client expectations and to promote corporate-wide teamwork
  - Driver 2: Business Unit Performance – to recognize both investment and non-investment performance objective achievement of the business unit team
  - Driver 3: Individual Contribution – to encourage and reward high performance through individuals' efforts.

A portion of the AIP payment is derived from the annual investment performance in each year over a four-year period with added emphasis on long-term returns. The remainder of the payment reflects annual achievement of other business and organizational-related objectives related to client services, responsible investing, and risk management.

Disbursement of payments under the AIP occurs in the fiscal year after it is earned. However, to illustrate the alignment between the AIP payment and performance, the Summary Compensation Table (on page 59) reports AIP in the year it was earned.

- Long-Term Incentive Plan: This plan is designed to enhance the retention of key staff with desirable skills and experience critical to bcIMC's long-term success. The LTIP has a four-year employment-vesting period before a first grant payment is disbursed to an eligible staff member.

  It provides the opportunity to earn additional remuneration based on investment return performance over a four-year period, achieved on behalf of clients and net of costs. This is accomplished by linking a portion of the personal remuneration to bcIMC's long-term total fund investment performance.

  The LTIP formula rewards overall investment return performance results, emphasizing consistent value-added performance. Instalments accrue annually, resulting in a grant (consisting of four consecutive instalments) payable in each eligible year for which the LTIP criteria are satisfied. The dollar value is calculated as a percentage of the applicable base salary in each of the performance periods. The total LTIP payment reflects a combination of the weightings for each year.

  As with the AIP, the actual disbursement of the grant occurs in the following fiscal year. To illustrate the alignment between the LTIP payment and performance, the Summary Compensation Table (on page 59) reports LTIP in the year it was earned.

PERFORMANCE ASSESSMENT FOR 2010–2011 Global capital markets continued to be dynamic in 2010–2011, reacting to world events and macroeconomic conditions. Although the ever-changing capital markets created unique investment challenges, this also presented opportunities to continue to build our clients' portfolios by investing in quality companies and assets.

Within this environment, bcIMC's assets under administration increased by $7.2 billion, ending the fiscal year with $86.9 billion. Combined pension plan returns, net of fees, exceeded our clients' return expectations by 1.1 per cent – the one-year annual return was 10.8 per cent compared to a combined benchmark of 9.7 per cent. As a result, bcIMC's investment activity contributed over $685 million in additional value for our clients.

Real estate, private placements, infrastructure, Canadian equities, and new economy equities delivered strong returns, while fixed income and mortgages offered modest returns. Most asset classes outperformed their one-year benchmarks, although certain public equities fell short. Market events and cycles will impact our portfolios on the short-term, and this year was a difficult environment for the management of equity investments. A number of geopolitical and macroeconomic events, combined with numerous company-specific matters caused the markets to be volatile, complex, and fast-moving during the year. This impacted many of our enhanced indexed and active equity funds. Consequently the payments made under the AIP and LTIP for 2010–2011 reflect this mixed performance.

Generating investment returns that exceed our clients' benchmarks is a fundamental component of the performance-based pay. However, the evaluation of the corporate, departmental, and individual performance also includes the consideration of non-financial goals aligned with the pillars that form the key components of our business: Investment Returns, Risk Management, Responsible Investing, Client Services, and Building bcIMC.

The non-financial goals, determined by management, are outlined in bcIMC's business plan and are approved by the Board of Directors. Departmental and individual objectives for each fiscal year are aligned with the organizational goals. Each quarter and at

year end, the bcIMC Board reviews the company's progress towards accomplishing the corporate goals. bcIMC's 2010–2011 performance was evaluated as follows:

Business Plan Pillar	Key Objective	Actual Performance
PILLAR ONE: **Investment Returns**	To meet or exceed our clients' investment return expectations, subject to their tolerance for risk, net of costs.	Partially Achieved
PILLAR TWO: **Risk Management**	To continually identify and manage enterprise-wide risks that could affect investment outcomes and impact operational efficiency as well as our reputation.	Achieved
PILLAR THREE: **Responsible Investing**	To provide leadership in corporate governance and responsible investing.	Achieved
PILLAR FOUR: **Client Services**	A culture of client service throughout bcIMC that enables the provision of high quality service and builds a long-term partnership with clients.	Achieved
PILLAR FIVE: **Building bcIMC**	A results-oriented, innovative, and knowledgeable team, with efficient systems and technology, operating at a reasonable cost, and with sound governance.	Achieved

LONG-TERM INCENTIVE PLAN GRANTS Over the April 2007 to March 2011 period, bcIMC's value-added investment performance was positive in two of the four years (2007–2008 and 2010–2011). The weightings for the four-year period are shown in the Long-Term Incentive Plan Grants table (on page 58).

bcIMC's overall investment performance exceeded the LTIP benchmark performance for 2010–2011, generating a positive instalment weighting of 23.9 per cent with 25.0 per cent being the maximum weighting. The value-added performance formula is calculated as the clients' total portfolio return including a value-added objective where applicable, net of fees, and minus the benchmark return.

As a result of delivering value-added performance in only two of the four years, LTIP payments for 2010–2011 were modest, representing 47.7 per cent of the maximum. Going forward, the zero-weighting for 2008–2009 and 2009–2010 will affect payments under the LTIP, as well as the AIP, up to and including 2012–2013.

Performance Year	Maximum Instalment Weighting toward Future LTIP Grant %	Actual Performance %
2010–2011	25.0	23.9
2009–2010	25.0	0.0
2008–2009	25.0	0.0
2007–2008	25.0	23.8

EXECUTIVE COMPENSATION The total compensation of the five most highly remunerated officers for 2010–2011 is disclosed in the Summary Compensation Table on page 59. The AIP and LTIP payments for the CEO/CIO and the other named executive officers reflect the individual's performance relative to the overall investment performance, their department's contribution to the investment returns and other corporate objectives, and their individual contribution to defined results. This table also provides salary information for the two previous fiscal years.

Total compensation for bcIMC's named executive officers was $3.4 million in 2010–2011, up 4.9 per cent from $3.2 million in 2009–2010. This increase reflects the positive effect of the value-added investment returns for 2010–2011 on the performance-based component of our executive's compensation. The zero-weighting for the investment results of 2008–2009 and 2009–2010 will affect the AIP and LTIP payments, up to and including 2012–2013.

Total compensation for our entire staff complement was $28.8 million in 2010–2011 ($24.3 million in 2009–2010). A portion of this year-over-year increase is a result of the value-added investment performance as well as the planned growth in bcIMC's staff complement.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Base Salary[1] ($)	Annual Incentive[2,3] ($)	Long-Term Incentive Plan[2,3] ($)	Benefits and Other Compensation[4] ($)	Total Compensation[5] ($)
Doug Pearce CEO/CIO	2010–2011	466,396	393,897	106,515	96,609	1,063,417
	2009–2010	457,201	408,022	73,477	64,959	1,003,659
	2008–2009	445,939	418,280	92,237	61,867	1,018,323
Lincoln Webb VP, Private Placements	2010–2011	312,318	275,493	64,223	72,473	724,507
	2009–2010	306,161	286,721	38,564	58,989	690,435
	2008–2009	297,249	276,685	–	42,178	616,112
Bryan Thomson VP, Equity Investments	2010–2011	263,916	176,646	60,233	52,894	553,689
	2009–2010	255,134	206,596	42,090	37,141	540,961
	2008–2009	248,915	203,612	53,902	34,938	541,367
Chuck Swanson VP, Real Estate	2010–2011	229,033	183,714	51,269	57,615	521,631
	2009–2010	224,518	188,276	35,293	30,943	479,030
	2008–2009	218,788	181,095	45,715	32,691	478,289
Dean Atkins VP, Mortgages	2010–2011	229,033	181,807	51,269	51,693	513,802
	2009–2010	224,518	197,481	35,293	36,542	493,834
	2008–2009	218,788	178,092	45,715	35,234	477,829

[1] Base salaries are guided by the Board's compensation philosophy to pay market median among other large pension fund managers in Canada.

[2] The values of incentive payments are listed beside the performance year in which it is earned; the actual disbursement occurs in the following fiscal year.

[3] A component of the incentive plan value reflects performance over a four-year timeframe.

[4] These values include bcIMC-funded group health and welfare benefits and illness wage-loss provisions, parking, and contributions paid by bcIMC on behalf of the named individuals to the Public Service Pension Plan and other legislated benefits including Canadian Pension Plan, Employment Insurance, and Workers' Compensation. A payout of unused vacation entitlement may also be included in this value.

[5] Values in this table constitute the total compensation earned by or paid on behalf of the identified individuals. All values are inclusive.

Location: 3rd floor, 2940 Jutland Road, Victoria BC, V8T 5K6
Mailing Address: PO Box 9910, Victoria BC, V8W 9R1

June 3, 2011

Responsibility for the integrity and objectivity of the accompanying consolidated financial statements of the British Columbia Investment Management Corporation (the "Corporation") rests with management. The financial statements, which by necessity include some amounts that are based on management's best estimates and judgments, are prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within the framework of the significant accounting policies summarized in the financial statements and present fairly the Corporation's financial position, results of operations and cash flow. The financial statements have been reviewed and approved by the Corporation's Board of Directors.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records maintained. The internal accounting control process includes management's communication to employees of policies that govern ethical business conduct.

These consolidated financial statements have been examined by the Corporation's independent auditor, KPMG LLP, and their report is presented herein.

Doug Pearce

Chief Executive Officer/

Chief Investment Officer

David Woodward

Vice President, Finance & Operations

To the Shareholder of British Columbia Investment Management Corporation

We have audited the accompanying financial statements of British Columbia Investment Management Corporation, which comprise the consolidated balance sheet as at March 31, 2011, the consolidated statements of net income and comprehensive income, retained earnings and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion In our opinion, the financial statements present fairly, in all material respects, the financial position of British Columbia Investment Management Corporation as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

June 30, 2011
Vancouver, Canada

AS AT MARCH 31

	2011 ($000's)	2010 ($000's)
ASSETS		
Current assets		
Cash and cash equivalents *(note 4)*	9,165	12,179
Accounts receivable		
Direct costs *(notes 5 and 9)*	29,012	19,881
Fees and other *(notes 6 and 9)*	14,684	3,492
Prepaid expenses	718	883
	53,579	36,435
Capital assets *(note 7)*	783	1,012
	54,362	37,447
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities		
Direct costs *(note 5)*	25,355	17,598
Other *(notes 6 and 9)*	22,275	14,750
	47,630	32,348
Long-term employee benefits *(note 8)*	2,503	1,079
	50,133	33,427
Equity		
Share capital *(note 1)*	–	–
General reserve	2,691	2,095
Retained earnings	1,538	1,925
	4,229	4,020
	54,362	37,447

Commitments *(note 10)*

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

Director

Director

FOR YEAR ENDED MARCH 31

	2011 ($000's)	2010 ($000's)
REVENUES		
Recoveries of direct costs *(notes 5 and 9)*	111,014	93,119
Funds management fees *(note 9)*	38,040	35,964
Other	131	109
Total Revenues	149,185	129,192
EXPENSES		
Direct costs *(note 5)*	111,014	93,119
Salaries and benefits *(note 9)*	28,778	24,338
Systems operations *(note 9)*	4,539	4,572
Office and business *(note 9)*	1,237	1,208
Rent	1,312	1,180
Insurance	648	628
Other	1,449	2,700
Total Expenses	148,977	127,745
NET INCOME AND COMPREHENSIVE INCOME	208	1,447
RETAINED EARNINGS – beginning of year	1,925	2,165
NET TRANSFER TO GENERAL RESERVE	(595)	(1,687)
RETAINED EARNINGS – end of year	1,538	1,925

See accompanying notes to the consolidated financial statements.

FOR THE YEAR ENDED MARCH 31

	2011 ($000's)	2010 ($000's)
CASH FLOW PROVIDED BY (USED FOR):		
Operating activities		
Net Income for the year	208	1,447
Items not involving cash – Amortization	290	448
Changes in operating accounts		
Accounts receivable	(20,323)	2,394
Prepaid expenses	165	(65)
Accounts payable and accrued liabilities	15,282	(1,728)
Long-term employee benefits	1,424	(823)
Cash flows from operating activities	(2,954)	1,673
Investing activities		
Capital asset additions	(60)	(133)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,014)	1,540
CASH AND CASH EQUIVALENTS – beginning of year	12,179	10,639
CASH AND CASH EQUIVALENTS – end of year	9,165	12,179

See accompanying notes to the consolidated financial statements.

YEAR ENDED MARCH 31, 2011

1. Nature of Operations

The British Columbia Investment Management Corporation (the "Corporation") is a Crown corporation under section 16 of the *Public Sector Pension Plans Act*, S.B.C. 1999 c44 (the "Act"). The capital of the Corporation is one share with a par value of ten dollars. The share is issued and registered in the name of the Minister of Finance on behalf of the Province of British Columbia (the "Province").

In accordance with the Act, the Corporation manages the assets of various public sector pension funds, the Province, provincial government bodies (Crown corporations and institutions) and publicly-administered trust funds.

The estimated market value of assets managed by the Corporation as of March 31, 2011 was $87 billion (2010: $80 billion). Of that, $70 billion (2010: $64 billion) is invested on behalf of pension funds and $17 billion (2010: $16 billion) on behalf of various publicly-administered trust funds and clients. These assets are invested in segregated investments owned by the client or aggregated in one or more pooled investment portfolios managed and owned by the Corporation as trustee. The Corporation annually prepares separate audited financial statements for each pooled investment portfolio with more than one unitholder. The financial statements of the pooled investment portfolios and segregated assets held in trust for clients are not consolidated in the financial statements of the Corporation.

The Corporation owns and controls the incorporated companies that act as general partners of certain limited partnerships in which investments are made by pooled investment portfolios. Clients hold their investments either as units of pooled investment portfolios or on a segregated basis. The financial statements of general partner entities which are controlled and in which the Corporation has a beneficial interest (referred to as subsidiaries) are consolidated in the Corporation's financial statements and include:

Subsidiary	Ownership of Voting Shares	Participation Interest
bcIMC Holdco (2007) Inc.	100%	Lesser of 0.1% and $10,000
4245997 Canada Inc.	100%	1/3 of 0.00001%
bcIMC Fixed-Term Corporation	100%	0.01%
bcIMC (IRE GP) Investment Corporation	100%	1/3 of 0.01%
bcIMC SIIF FX Investment Corporation	100%	Lesser of 0.001% and $10,000

YEAR ENDED MARCH 31, 2011

The Corporation, as agent, makes investments on behalf of its clients and may also establish companies in which it owns the voting (but non-participating) shares for the sole purpose of managing specific investments. As the Corporation has no beneficial interest in these entities, they are not consolidated in the Corporation's financial statements.

The Corporation recovers all operating expenses and capital expenditures on a cost recovery basis. The Corporation's board of directors may approve recoveries greater than costs to maintain or increase the Corporation's retained earnings and general reserve.

As an agent of the Crown, the Corporation is exempt from federal and provincial income taxes, both in respect of assets held for its own account and assets held in pooled investment portfolios.

2. Significant Accounting Policies

Basis of Presentation

The Corporation's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Financial Instruments

The Corporation classifies its financial instruments into one of the following categories: held-for-trading; loans and receivables; and other liabilities.

All financial instruments are recorded at fair value when acquired.

Subsequent to acquisition, values are measured as follows:

Cash and cash equivalents (comprised of money market funds, which are readily convertible to cash) are classified as held-for-trading and accordingly are measured at fair value. The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's-length transaction between knowledgeable and willing parties under no compulsion to act.

Accounts receivable are classified as loans and receivables and are accordingly measured at amortized cost.

Accounts payable and accrued liabilities and long-term employee incentives included in long-term employee benefits are classified as other liabilities and accordingly are measured at amortized cost.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Software development costs, including external labour and material costs for design, construction, testing and implementation, are capitalized when the related business systems are expected to be of continuing benefit to the Corporation.

YEAR ENDED MARCH 31, 2011

Amortization is calculated on a straight-line basis over the following estimated useful asset lives:

Furniture, equipment	10 years
Computers and related software	3–5 years

Leasehold improvements are amortized on a straight-line basis over the remaining life of the lease term.

Long-term Incentive Plan

The Corporation provides a retention incentive to employees in senior staff positions through a long-term incentive plan ("LTIP"). Eligible staff are entitled to their first LTIP payment after four complete fiscal years of employment with the Corporation. LTIP is accrued for eligible employees at an amount equal to one quarter of the estimated aggregate pay-out for the current year and each of the following three years. The estimated payments for years beyond the next fiscal year are recorded as a long-term liability.

Post-Employment Benefits

a) The Corporation and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the Act. The British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies. The Plan is a multi-employer defined benefit pension plan, and accordingly the Corporation's annual cost is represented by contributions required for the respective year. The Plan operates under joint trusteeship between the employers and the Plan members, who share in the risks and rewards associated with the Plan's unfunded liability or surplus. The most recent actuarial valuation as of March 31, 2008 indicated that the Plan is in a surplus position.

b) The Corporation's annual cost of employee benefits under the Plan amounted to $1,603,000 (2010: $1,448,000).

c) Employees hired prior to October 31, 2007 are also entitled to a long service retiring allowance as provided for under their terms of employment. As employees render the services necessary to earn the benefit, the Corporation estimates and accrues the future obligation for retiring allowances. The accrued liability for retiring allowances is $968,000 (2010: $866,000).

Revenues

Revenues are received from: recoveries of direct costs related to the pooled investment portfolios and segregated investments; fees charged for funds management services; and the Corporation's investments.

Direct cost recoveries and funds management fees revenues are accrued as the related costs are incurred and as management services are provided. Fees are charged at a level that the Corporation estimates will allow it to recover all cash outlays and accrued expenses, including capital expenditures, and maintain or increase retained earnings and general reserves.

YEAR ENDED MARCH 31, 2011

General Reserve

a) General reserves for future expenditures may be appropriated from retained earnings at the discretion of the Board. The Board has authorized access to the General Reserve for the purposes of certain employee compensation payments and for errors and omissions payments.

b) The Board approved a transfer of $2,600,000 to the General Reserve for the year ended March 31, 2010.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts on the Consolidated Balance Sheet and Consolidated Statement of Net Income and Comprehensive Income, and Retained Earnings. Subjective estimates include the annual incentive plan, long-term incentive plan and long service retiring allowance accruals. Management believes its estimates to be appropriate; however, actual results could differ and any differences will be reflected in the future period in which they are identified.

Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

3. Future Accounting Policy Changes

International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed that publicly accountable entities will be required to use International Financial Reporting Standards (IFRS) effective January 1, 2011. The Corporation will adopt IFRS for its annual consolidated financial statements ending March 31, 2012, including comparative amounts on an IFRS basis, for the year ending March 31, 2011.

Management has a transition implementation plan and has appropriate resources to convert its Canadian GAAP consolidated financial statements to IFRS. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are differences in recognition, measurement and disclosure. An analysis of the differences between Canadian GAAP and IFRS, an assessment of the impact of relevant IFRS accounting policies as well as accounting policy choices and exemptions that the Corporation may choose to apply in preparing IFRS consolidated financial statements has been completed.

Based on analysis to date, the Corporation's management believes adopting IFRS will not materially impact its financial results, or the presentation and disclosures in the consolidated financial statements.

YEAR ENDED MARCH 31, 2011

4. Cash and Cash Equivalents

Cash equivalents consist of units in pooled investment portfolios managed by the Corporation, specifically the Canadian Money Market Fund ST2 and the U.S. Money Market Fund ST3. U.S. dollar investments are translated at the year-end foreign exchange rate.

	2011 ($000's)			**2010** ($000's)		
	Canadian	U.S.	Total	Canadian	U.S.	Total
Cash	127	36	163	5	4	9
Cash Equivalents	8,995	7	9,002	12,094	76	12,170
	9,122	**43**	**9,165**	**12,099**	**80**	**12,179**

The CICA Handbook Section 3862 – "Financial instruments – Disclosures" requires the classification of Financial Instruments into a three level hierarchy according to how the financial instruments are valued. The Corporation classified its cash equivalents, which consist of units in pooled investment portfolios, for both 2011 and 2010 as level 2 – fair value based on inputs other than quoted prices that are observable (i.e., quoted prices for similar assets). There were no financial instruments classified as level 3 during the year and no transfers between classification levels.

5. Direct Costs

The Corporation contracts with third parties for investment, custodial, legal, audit and other services.

Costs related to providing funds management services on behalf of a specific client's segregated investment or a pooled investment portfolio managed by the Corporation are recovered directly from that entity. These direct costs are shown as expenses, and the recovery of these costs as revenue, in the Consolidated Statement of Net Income and Comprehensive Income, and Retained Earnings.

The breakdown of direct costs as reported in the Consolidated Statement of Net Income and Comprehensive Income, and Retained Earnings is as follows:

Direct Costs ($000's)	**2011**	**2010**
Investment services	94,001	81,956
Custodial	9,272	6,864
Legal, audit, other	7,741	4,299
	111,014	**93,119**

The direct costs receivable reflects amounts not yet recovered from pooled investment portfolios or segregated investment clients, and the direct costs payable balance is the amount accrued and owing to direct cost service providers.

YEAR ENDED MARCH 31, 2011

6. Other Receivable/Payable

Included in accounts receivable and accounts payable is $8,396,950 in accrued HST on supplies made to the pooled investment portfolios. The accrued HST receivable and the offsetting payable are contingent pending completion of ongoing negotiations between the federal and provincial governments regarding the provincial entity status of the pooled investment portfolios under the Canada–British Columbia Reciprocal Taxation Agreement.

7. Capital Assets

	2011 ($000's)			2010 ($000's)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture, equipment	563	382	181	196
Computers and related software	1,426	1,301	125	152
Leasehold improvements and interests	1,664	1,187	477	664
	3,653	**2,870**	**783**	**1,012**

YEAR ENDED MARCH 31, 2011

8. Long-Term Employee Benefits

	2011 ($000's)			2010 ($000's)		
	LTIP*	LSRA**	Total	LTIP*	LSRA**	Total
Accrual	2,826	968	3,794	1,078	866	1,944
Less short term portion included in accounts payable and accrued liabilities – other	1,026	265	1,291	643	222	865
Long term employee benefits	**1,800**	**703**	**2,503**	**435**	**644**	**1,079**

*LTIP: Long-Term Incentive Plan **LSRA: Long Service Retiring Allowance

The LTIP liability is an estimate of future payments to staff under the Long-Term Incentive Plan related to past service. The LTIP liability has been classified as an other liability in accordance with accounting standards for the recognition and measurement of financial instruments and accordingly is accounted for at amortized cost. Management estimates the fair value of the long-term portion of the LTIP liability to be approximately $1,723,000 (2010: $426,000), which was estimated by discounting the future cash flows using the current Government of Canada bond rate over a comparable term to maturity.

The LSRA estimate is the present value of the projected future liability for one-time payments that will be made to certain staff who, when they retire, will have more than 20 years of public sector service. The LSRA has been recorded in accordance with accounting standards for employee future benefits.

9. Related Party Transactions

The Corporation is related to all Province of British Columbia ministries, agencies and Crown corporations through common ownership. Transactions with these entities are in the normal course of operations and are recorded at the exchange amounts.

The Corporation's revenues from the recoveries of direct costs and funds management fees services, and accounts receivable are due from related parties. Services obtained from related parties during the year totaled $706,000 (2010: $652,000), which included $191,000 (2010: $180,000) for salaries and benefits, $353,000 (2010: $328,000) for system operations and $162,000 (2010: $144,000) for office and business services.

Related party transactions included in other accounts payable and accrued liabilities total $117,000 (2010: $74,000).

YEAR ENDED MARCH 31, 2011

10. Commitments

The Corporation leases premises under various operating leases which expire in 2015 and 2017. Future minimum payments, based on current lease agreements, by fiscal year, and in aggregate, are as follows:

2012	$ 1,305,000
2013	1,305,000
2014	1,305,000
2015	1,102,000
2016	87,000
Thereafter	87,000
	$ 5,191,000

11. Financial Instruments and Risk Management

Fair Value Hierarchy

The Corporation adopted the amendments to CICA Section 3862, Financial Instruments – Disclosures on April 1, 2009. CICA 3862 establishes a fair value hierarchy that categorizes the inputs used to calculate a financial instrument's fair value. The hierarchy contains three "levels" of fair value inputs as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability (i.e., quoted prices for similar securities, Bank of Canada rates, commercial credit spreads).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e., budgeted or forecast revenue or net income, weighted average cost of capital).

Changes in valuation methods may result in transfers of investments between levels.

The carrying values of all financial instruments approximate their fair value.

YEAR ENDED MARCH 31, 2011

Risk Management

In the ordinary course of operations, the Corporation may be exposed to risk arising from its financial instruments as follows:

a) Credit Risk

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash equivalents and accounts receivable.

The Corporation's cash equivalents are described in note 4 and consist of units in money market pooled funds managed by the Corporation. The accounts receivable relate to fees and other amounts receivable from pooled investment portfolios managed by the Corporation and are generally short-term in nature.

Due to the Corporation's role as fund manager for the pooled funds and the highly liquid nature of the Corporation's cash equivalents, management does not believe the Corporation is exposed to significant credit risk.

b) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation operates on a cost-recovery basis and recovers all of its expenses through the pooled funds and segregated client accounts it manages. Accordingly, management does not believe the Corporation is exposed to significant liquidity risk.

c) Currency Risk

Currency risk is the risk that the Corporation's financial instruments will fluctuate in value from changes in value of foreign currencies in relation to the Canadian dollar. The Corporation does not hold significant financial assets or have significant financial obligations denominated in other than Canadian dollars. Accordingly, management does not believe the Corporation is exposed to significant currency risk.

d) Interest Rate Risk

Interest rate risk refers to the effect on the fair value or future cash flows of financial instruments due to fluctuation in both long-term and short-term nominal and real interest rates. The Corporation's cash equivalents are in units of money market investment portfolios that are interest rate sensitive; however, the underlying financial instruments re-price on a frequent basis. Other financial assets and liabilities have a short term to maturity. As investment earnings are not material, management does not believe the Corporation is exposed to significant interest rate risk.

e) Other Price Risk

Other price risk is the risk that the fair value of the Corporation's financial instruments will fluctuate because of changes in market prices, other than those arising from currency risk or interest rate risk. Management does not believe the Corporation's financial instruments are exposed to significant other price risk.

Our **External Managers** and **Partners**

AUDITORS
- Ernst & Young
- KPMG LLP

GLOBAL CUSTODIAN
- RBC Dexia Investor Services Trust

LEGAL ADVISORS
- Blake Cassels & Graydon LLP
- Garvey Schubert Barer
- Lawson Lundell LLP
- McCullough O'Connor Irwin LLP

MORTGAGES
- Bentall Kennedy
- Canadian Mortgage Loan Services Limited
- Tricon Capital Group Inc.

PRIVATE PLACEMENTS
- Adams Street Partners, LLC
- Advent International Corporation
- Affinity Equity Partners
- Apollo Management
- ArcLight Capital Partners, LLC
- AsiaVest Partners, TCW/YFY (Taiwan) Ltd.
- Banyan Capital Partners
- BC Partners Limited
- Blackstone Management Partners LLC
- Bridgepoint Capital Limited
- Brookfield Asset Management Inc.
- CAI Advisors & Co.
- Callisto Capital LP
- Canaan Partners
- Carlyle/Riverstone Renewable Energy Partners, LP
- Cartesian Capital Group, LLC
- Celtic House Venture Partners
- Cinven Capital Management Ltd.
- CVC Capital Partners Ltd.
- Energy Capital Partners
- First Reserve Corporation
- Francisco Partners
- HarbourVest Partners, LLC
- Hellman & Friedman Capital Partners LLC
- Highstar Capital L.P.
- HSBC Capital (Canada) Inc.
- IK Investment Partners
- Kern Energy Partners Management Ltd.
- Leonard Green & Partners L.P.
- Macquarie Bank Limited
- MatlinPatterson Global Advisors LLC
- McKenna Gale Capital Inc.
- Merit Capital Partners
- Newstone Capital Partners, LLC
- Oaktree Capital Management, L.P.
- PAI Partners S.A.S.
- Penfund Management Limited
- Polaris Venture Partners
- Richardson Capital Limited
- TA Associates Management, L.P.
- Tailwind Capital Partners
- TPG Capital
- Tricor Pacific Capital, Inc.
- TriWest Capital Partners
- Unitas Capital Pte. Ltd.
- Vanedge Capital Partners Ltd.
- Ventures West Management Inc.
- Wayzata Investment Partners
- Wellspring Capital Partners
- Yaletown Venture Partners

PUBLIC EQUITIES
- Aberdeen Asset Management Ltd.
- Acadian Asset Management LLC
- Acuity Investment Management Inc.
- Advisory Research, Inc.
- AllianceBernstein Institutional Investments, Inc.
- Amundi Asset Management
- BlackRock Asset Management Canada Limited
- Connor, Clark & Lunn Investment Management Ltd.
- GE Asset Management Canada
- Grantham, Mayo, Van Otterloo & Co. LLC
- Highstreet Asset Management Inc.
- Intact Investment Management
- Jarislowsky Fraser Limited
- J.P. Morgan Asset Management
- Montag & Caldwell Investment Counsel Inc.
- Oechsle International Advisors LLC
- Pictet Asset Management Ltd.
- Pier 21 Asset Management Inc. / Carnegie Asset Management Fondsmaeglerselskab A/S
- Pyramis Global Advisors
- Pyrford International Ltd.
- QIEF Management LLC
- RCM Capital Management LLC
- T. Rowe Price Associates, Inc.
- TT International
- UBS Global Asset Management
- Van Berkom and Associates Inc.
- Vontobel Asset Management, Inc.
- Walter Scott & Partners Limited
- Wellington Management Company, LLP

REAL ESTATE
- Apex LP
- Bentall Kennedy
- Brookfield Asset Management Inc.
- Delta Hotels Limited
- Doughty Hanson & Co.
- GWL Realty Advisors Inc.
- LaSalle Investment Management
- MGPA
- Pacific Capital
- Parkbridge Lifestyle Communities Inc.
- Realstar Group
- SilverBirch Management Ltd.

Our **Corporate Officers**

DOUG PEARCE
Chief Executive Officer and
Chief Investment Officer

DEAN ATKINS
VP, Mortgages

PAUL FLANAGAN
VP, Fixed Income

CHUCK SWANSON
VP, Real Estate

BRYAN THOMSON
VP, Equity Investments

LINCOLN WEBB
VP, Private Placements

ROBERT DES TROIS MAISONS
VP, Legal Affairs and
General Counsel

LYNN HANNAH
VP, Consulting and
Client Services

CAROL IVERSON
VP, Human Resources

DARYL JONES
VP, Research and
Risk Measurement

SHAUNA LUKAITIS
VP, Trade Management
and Compliance

DAVID WOODWARD
VP, Finance and Operations

Eco-Audit
Environmental Benefits Statement

The bcIMC Annual Report is printed with vegetable based inks, on paper that is made from 100 per cent post-consumer recycled content. This stock is manufactured with renewable, non-polluting, wind-generated electricity, and is sourced from certified suppliers that support the growth of responsible forest management. By using this environmentally friendly paper, bcIMC has saved the following resources:

trees	wastewater	solid waste	greenhouse gases	energy
28 fully grown	**49,235** litres	**374** kilograms	**1,311** kilograms	**11** million BTU's

Printed by Hemlock Printers Ltd. In addition to being named the ***Most Environmentally Progressive Printer in Canada*** for five successive years, Hemlock Printers now has the distinction of being the first printing company in Canada to achieve **carbon neutral status.**

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Photography: Dave Aharonian
Additional photography courtesy of Portrait Kennedy

We welcome your comments and suggestions on our annual report.

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